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ABSTRACT

This publication contains four national studies, conducted in Spain, France, the United Kingdom, and Italy, that collected data on the role of training as an element of support for business start-up and as an essential factor for the survival of newly established businesses. The study of the Spanish situation examines public and private bodies whose purpose is to encourage or support entrepreneurial initiatives. It outlines the history of the small and medium-sized enterprise over the last 10 years, examines failure rates and causes, and analyzes the profile of the new entrepreneur. The report on France examines instruments set up and managed by the government and local authorities over the past 10 years to encourage facilitating their access to resources. The report on the United Kingdom discusses the following topics: new enterprise creation, aid programs for start-up businesses, women's self-employment, training for business start-ups, and factors for success. The report on the Italian situation: (1) provides information on new business creation; (2) reviews national and regional measures that promote business creation; (3) describes available training for business creation; and (4) provides three successful cases of training for business creation: Law 44/86, the Umbria Integrated Manufacturing Program, and the Business Innovation Centre, Trieste. A synthesis report consists of four chapters dealing with the phenomenon of business creation, aid programs, courses offered by the training bodies, and the successful entrepreneur. (YLB)

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Support policies for business start-ups and the role of training

National reports from France, Italy, Spain, United Kingdom and synthesis report

European Centre for the Development of Vocational Training

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Support policies for business start-ups and the role of training

National reports from France, Italy, Spain, United Kingdom and synthesis report

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INTRODUCTION

In this publication we have the pleasure of presenting the first four national studies in which CEDEFOP collected valuable data on the role of training as an element of support for business start-up and as an essential factor for the survival of newly established businesses.

The study was initially conducted (1990) in four Member States of the EC: Spain, France, the United Kingdom and Italy. A synthesis report presenting some conclusions and recommendations is attached to these four research studies.

At the moment the same study is being conducted in the other 8 Member States of the EC so that at the end of 1991 we will be able to present an overall survey of the 12 Community countries.

The data was collected on the basis of the following outline:

1. Statistical data on the business start-up process and its impact on the generation of jobs (including business failure rates).
2. Small business start-up support programmes existing in the various countries, considered with regard to funding, provision of infrastructures, access to technologies and, with special emphasis, training and counselling programmes.
3. Specific analysis of the provision of training and counselling programmes.
4. Characteristics of the successful business starter based on research work already carried out in the countries under study.

Obviously, as the reader can see, the data obtained is of great importance to have a better knowledge of the different situations in the 4 countries studied. However, the available data is not always comparable, and without doubt, there are problems in acquiring statistical data on the new businesses set up every year and their survival rate in the different countries.

It was equally difficult (and in some cases impossible) to find studies which had evaluated the impact of training programmes designed for business starters.

In addition, there are not many empirical surveys dealing with the profile of the successful businessman, although there are many studies on this subject in the majority of the countries concerned.

Despite all this, the data collected here is a first step which clearly shows the importance all countries have attached in the last 5-10 years to the phenomena accompanying the establishment of new businesses.

The support programmes for business starters in the individual Member States are so numerous that it is impossible to publish them in full. The original studies conducted in Spain and the United Kingdom contained annexes which are enumerated in the respective lists of content. Their inclusion in this publication would increase the volume of this study by 100 pages.

For this reason, and also because, basically, they are mostly of interest in the national context, it was decided not to include them. However, readers who are interested in this subject and wish to see these annexes can make a request for them or consult them in the Documentation Service of CEDEFOP.

This publication is the first volume which will be followed by similar studies carried out in the 8 other Member States of the EC. In October 1991 we will be able to present the public with the results of the second phase of this research. In all the studies it is planned to devote particular attention to the problems encountered by women who set up their own businesses and the programmes especially designed for them.

Through close collaboration with the TFHR and DG 23 of the EC Commission it will be possible to include detailed information on Community programmes in this field in the final report (covering all 12 Member States and to be published together with the studies in the second phase of this research).

We sincerely hope that these studies will provide a deeper insight into the phenomenon of business start-up, will contribute to a broader dissemination of the programmes which are becoming more operative in each country, and finally, will present some of the key elements for reflection which decision-making bodies at national and Community level can take into account when they draw up their programmes and recommendations.

Berlin, February 1991

Africa Melis Project Coordinator	Corrado Politi Deputy Director

SUPPORT PROGRAMMES FOR SMALL BUSINESS START-UP IN SPAIN:
AN OVERVIEW

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INTRODUCTION

In Spain, both the central and the regional Governments aim to promote the creation of small and medium-sized businesses, seen as generators of wealth and employment. Reports suggest that these businesses have an average failure rate of from 10 to 24% during their first three years of existence; this appears to be due, among other things, to the fact that SMEs require highly sensitive and flexible management if they are to adapt to the demands of the market and rapid changes in the environment resulting from developments in the economic situation and technological advances.

This study will examine the public and private bodies whose purpose is to encourage or support entrepreneurial initiatives through the provision of information, management advice, help with administrative procedures, logistic and financial support and training. Particular stress will be laid on the importance of training for would-be entrepreneurs as a factor in the success or failure of their enterprise. We shall attempt to give a picture of what is being done in this respect in Spain, and compare the ideas and initiatives of organizations and institutions working towards the same end, although independently.

We shall also outline the history of the SME in Spain over the last ten years in the respective sectors and autonomous regions and examine the failure rates and their related causes. Finally, we shall analyse the profile of the "new entrepreneur", his psychology, problems, and the principal factors in his success or failure.

0.1 History and economic background

The economic situation of a country influences the business creation rate; at the same time, the greater the number of new businesses established, the higher the level of economic activity in the country. This is clearly shown in Table 1, Annex 1, illustrating the relationship between GNP growth and the rise in the number of businesses set up each year from 1978 to 1989.

As will be seen from the Table, the years in which the GNP declined also saw a decline in the number of business start-ups; from 1984 onwards the steady GNP growth was accompanied by a similar growth in business creation. The sharp increase in start-ups from 1982 to 1983 appears to have been due to expectations regarding subsequent economic growth.

In Europe, the 1990s are likely to be a decade of political and economic transition accompanied by changes in the nature of employment. These changes began to take shape in the 1970s, producing a gradual transition from an economy in which the crucial factor is size to one in which the crucial factor is market presence. This conversion gave rise to a decline in the formation of new multinational combines accompanied by the growth of networks of inter-connected small and medium-sized businesses (Butera, 1990). Stability in employment has given way to flexibility and versatility, and specialization is losing its former importance, preference being given to multi-skilled personnel (Prieto, 1989); these changes, however, are giving rise to misgivings in labour circles. The development of entrepreneurship - with its associated job generation - as motor of the growth of productive activity appears to be one of the consequences of the economic changes referred to above (Prieto and Martin, 1990).

The Gulf crisis is going to have a fundamental effect on firms in the consolidation phase. Liquidity problems will arise, as a result of current credit restriction policies and the rise in interest rates. Most countries are reducing imports, which will affect SMEs using imported technology.

0.2 Self-employment in Spain: the political and social background

When we refer to self-employment or entrepreneurship, we are speaking of one or more persons prepared to organize and manage their own business or productive activity because they believe they possess an original business idea or have identified a market gap in which they can compete satisfactorily. From the conventional viewpoint, the key factor is the available capital or financing; from the social viewpoint the key factor is the disposition and personality characteristics of the group (or individual) which leads them to assume high risks, having confidence in their skills and competence; from the administrative viewpoint, the key element is the existence of a convincing business plan which holds promise of success for the proposed enterprise.

In recent years in Spain, a combination of political and social considerations have led to the introduction of measures to promote and finance self-employment initiatives and entrepreneurship; the latter are viable options given that at least some of the following conditions are fulfilled:

- when there is a need to decentralize the production and distribution of goods and services;

- when a reserve of skilled personnel exists among holders of secondary and higher education qualifications, which the existing labour market is unable to absorb;

- when emphasis is placed on the need for innovative thought and activities to surmount an economic crisis;

- when society demands high quality products which are unsuitable for mass production or are by their nature ephemeral;

- when both national and local Government are ready to finance the launching of viable projects with growth potential;

- when sophisticated high - or new - technology equipment is available at accessible prices or with suitable long-term financing;

- when advances in telematics and telecommunications mean that work is no longer restricted to a particular place and time;

- when functional or well-designed products or efficient services are appreciated and a clientele exists which is prepared to pay an adequate price for them.

0.3 Legal status of self-employed persons and new enterprises

The following are the three principal legal forms which may be adopted for entrepreneurial initiatives by individuals or groups:
. self-employment; i.e., individuals who create their own employment or set up in business are sole proprietors;
. cooperatives; i.e., persons who decide to set up or join a cooperative;
. Sociedad Anonima Laboral (Workers' Limited Liability Company); i.e., a company in which at least 51% of the share capital is held by persons actively engaged in the business. No member may hold more than 25% of the stock. According to the size of the business, between 15 and 25% of the staff may be engaged under contract without being members. Every year, 10% of the profits are transferred to a special reserve fund. During a period of five years, these companies are entitled to certain subsidiary benefits.

0.4 Characteristics of entrepreneurs

Entrepreneurs usually possess some of the following psychological characteristics (Prieto, 1989):

- creativity and a desire for independence, whether as an individual or as part of a group, sharing rights and obligations on the basis of equality;

- a desire to exploit the knowledge and skills acquired during training, previous activities or leisure time;
- a desire to keep up to date with new production processes or to use sophisticated equipment, available at accessible prices;
- sufficient maturity of character to face economic, social and psychological risks, exploiting the rules in effect in the business world;
- flexibility and a capacity to adapt in taking decisions;
- sufficient versatility to apply a variety of skills on some occasions and act as expert on others with a view to strengthening the market situation of the business;
- a desire for self-fulfilment and success as means of self-affirmation.

In the study carried out for the Small and Medium-sized Business Office (IMPI) (1981-1985), covering 920 businesses in various regions and sectors, the motivation and personality profiles of the entrepreneur were analysed. Regarding the choice of legal form, 60.7% thought that the form chosen was the most suitable for their particular enterprise, while a further 9.3% stated that it would have been impossible to adopt a legal form other than that chosen.

For some (39.6%), the idea of setting up a business was conceived jointly with others, while others cited family reasons (32.2%); 80% stated that the time required to complete the necessary administrative formalities was less than six months.

The principal reason for setting up a business is the perception of a market opportunity.

10.8% went into business as a result of the closure of the firm previously employing them.

84.5% did not apply for aid of any kind.

Of those who applied for aid, 66% obtained assistance from the public authorities, 59% from banking institutions, and the remainder from private sources. The aid requested was financial in nature; 38.7% had difficulty in obtaining it and were dissatisfied with the manner in which their applications were dealt with.

Fewer replies were obtained to questions regarding financial aspects; however, it was concluded that the capitalization of the businesses covered by the survey was relatively low, starting from an average of ptas 5 114 000 and rising to ptas 9 486 000 in 1986.

A rising trend in sales volume was noted; 75% of the businesses had not changed their products since they were established, while 11.7% had introduced new products.

68.4% of the entrepreneurs believed their business to be on about the right scale, but 2.9% thought that they needed more staff.

39.8% of the businesses effected over 75% of their sales within the municipality in which they were established. 34.7% effected from 1 to 25% of their sales within the same province and 7.7% from 55 to 75%; only 7.5% of the businesses effected more than 75% of their sales throughout the province.

The majority did no export business, only 7.1% trading with other countries; of those only 5.7% allocated from 1 to 25% of their production to export.

A field survey covering 171 enterprises in Spain was completed in July 1986. Particular care was taken to ensure the representativity of the sample in terms of sales volume, number of staff, economic sector and type of business (Comision Asesora para el Desarrollo de los Recursos Humanos - Advisory Committee on the Development of Human Resources, 1987). The results of this survey made it possible to identify certain characreristics common to former employees who decided to set up in business on their own account.

- Around 20% of entrepreneurs and self-employed persons are former employees;
- this group is distributed in roughly similar proportions (around 20%) among the following categories: commercial sector personnel, managerial and middle management staff and unskilled maintenance and technical staff. Less inclined to enter self-employment are personnel in the financial and accountancy sectors, with 11%;
- the new entrepreneurs' principal concerns are financing (57%), expectations regarding the future of the enterprise (48%) and the psychological effect of the uncertainty inherent in the situation (35%);

- 91% consider their skills adequate to embark on their chosen project; they often act according to their intuition regarding the product or service they are familiar with. They tend to lack an understanding of strategy;
- two out of three consider that they need further information regarding those aspects of business management with which they are concerned;
- one out of two launched their project using their own capital; the remainder had recourse to financing from public or private sources;
- the desire for independence was the principal motive cited, followed by a desire to improve earnings or achieve recognition in the field chosen;
- on the debit side, greater responsibility, more work and less time to devote to private life were cited;
- 89% believed that would-be entrepreneurs should be given better support by the authorities;
- one in four launched their enterprise to give effect to an idea or exploit a technical invention;
- one in two were not informed about available training and support programmes for business start-ups.

The Servicio de Apoyo a la Creacion de Empresa (Business Creation Support Service) (SACE) carried out a survey covering 224 entrepreneurs who had applied for financial aid from 1985 to 1987. The loans and credits granted were primarily invested in infrastructures (52%) and stocks (38%). 2.6 new jobs were created per enterprise, the majority under contracts of indefinite duration; 50% of the firms planned to expand their existing staff, 41% within one to six months and 38% within six to twelve months.

The study showed that the average age of the entrepreneur was around 37, 88% being men and 12% women. 40% of the firms which had obtained credits or loans reported difficulties in obtaining the latter; excessive demands for guarantees and distrust on the part of the financial institutions in cases where the business was incorporated were cited.

0.5 Psychological and social differences between employees and the self-employed

Those who prefer to enter self-employment or set up their own business differ in many ways from those who are content to work for others (Warneryd, Davidsson and Wahlund, 1987):

- they see long or irregular working hours as a lesser evil than adapting themselves to a conventional working day;
- they are ready in the short term to accept moderate earnings in relation to the efforts made, gaining greater satisfaction from the knowledge that what they earn is the product of their own enterprise;
- they resent the tax provisions in force, since their earnings are obtained at the cost of greater risk and uncertainty than is the case for salaried employees, who often confine themselves merely to fulfiling their obligations;
- they are very sensitive to any fluctuations or anomalies in their own financial situation and that of their regular clients.

1. SURVEY OF BUSINESS CREATION IN SPAIN IN RECENT YEARS

1.1 Current legislation governing business creation

1.1.1 The company

The company is based on a contract between two or more people who undertake to share assets and/or work together for the purpose of making a profit, always assuming that the company had been constituted in accordance with the applicable provisions of commercial law.

In Spain, trading companies may take the following legal forms:

- Public or private limited liability companies, partnerships (Sociedades Regulares Colectivas) and limited liability partnerships (Sociedades Comanditarias)

Other possible forms are special trading companies, non-incorporated entities and cooperatives.

The basic commercial legislation is set out in the following instruments:

. The Commercial Code.
. The provisions regarding the Business Register (Royal Decree 1597/1989 of 21 December).
. Law partly reforming the provisions of commercial law and adapting the latter to the EEC Directives regarding the company. Law 19/1989 of 25 July (those sections which have not been repealed).
. Law governing public limited companies (Royal Legislative Decree 1564/1989 of 22 December, approving the redrafted text).
. Law governing workers' limited liability companies (Sociedades Anonimas Laborales) (Law 15/1986 of 25 April).
. Law governing private limited liability companies. Law of 17 July 1953 (those sections not repealed by Law 90/1989).
. General law governing cooperatives (Law 3/1987 of 2 April).

- Royal Decree governing the legal, fiscal and financial provisions applying to mutual guarantee associations (Sociedades de Garantia Reciproca) (Royal Decree 1885/1978 of 26 July).
- Law governing Mutual Funds (Instituciones de Inversion Colectiva) (Law 46/1984 of 26 December).
- Law governing associations and federations of businesses. Law 196/1963 of 28 December (those sections which have not been repealed).
- Law on the fiscal provisions applying to temporary consortia and federations of businesses (Law 18/1982 of 26 May).
- Draft law on economic interest groupings (draft Law of 23 February 1989, based on EEC Regulation No 2137/85 of the Council).

1.1.2 Self-employment

A self-employed person is an individual who habitually and on his own account exercises a commercial, industrial or professional activity constituting a business. He must have attained his majority and be the sole owner of his assets. His liability is unlimited. Other requirements are: inscription in the Business Registry (not compulsory except in the shipping sector); registration with the social security and tax authorities; authentication of the business accounts; a local authority permit if business premises are to be opened; registration of patents, models, designs, trademarks, logos, trade names, etc.

1.2 Statistics on business creation

The data compiled on business creation in Spain in recent years derive from three sources: the INE (Instituto Nacional de Estadistica - National Statistical Office), the IMPI (Instituto de la pequena y mediana empresa industrial - Small and Medium-Sized Business Office) and the INEM (Instituto Nacional de Empleo - National Employment Office). The data will be presented in the following sequence: firstly, the number of incorporated businesses established over the years since 1978 will be given; secondly, a breakdown by sector of activity and year will be shown, and thirdly figures for business creation in the respective autonomous regions will be given. Entrepreneurial activity in relation to population density will be shown, together with the number of establishments opened per enterprise.

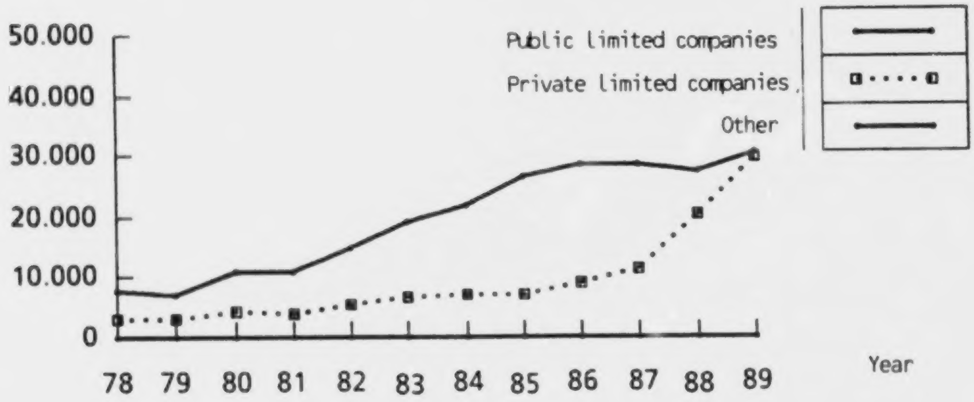
1.2.1 Number of incorporated businesses established, 1978-1989: official figures

Firstly, data will be given regarding incorporated businesses, including public and private limited companies, limited partnerships and the like.

Secondly, data will be given regarding the self-employed, and lastly, regarding entrepreneurs setting up in business who availed themselves of the "lump-sum-payment" (pago unico) scheme. Table 2 in Annex 1 shows the number of incorporated businesses established in the years 1978-1989, giving a breakdown by legal status.

Table 1 below shows the same data in the form of a graph.

TABLE 1
Incorporated businesses established, 1978-1989:
breakdown by legal status

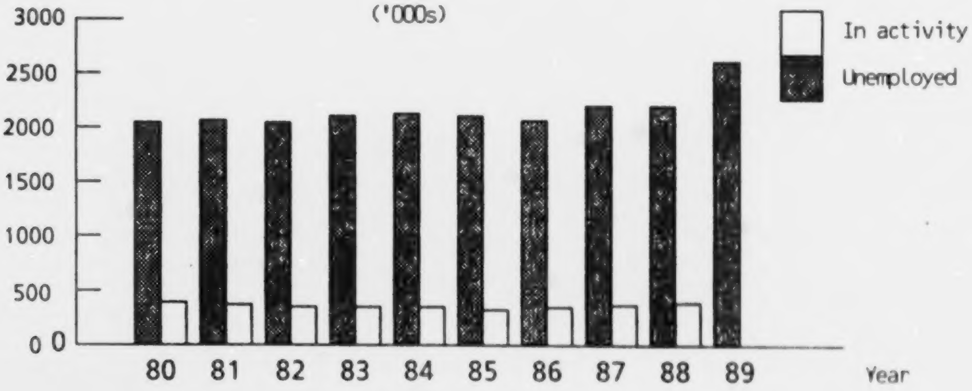


As will be seen (from Table 2, Annex 1) a total of 345 640 incorporated businesses have been set up since 1978; the public limited company is the predominant legal form, showing a higher growth rate than the other categories. In 1978, 7 990 public limited companies were established, this figure rising to 30 643 in 1989. In addition, the growth in the number of private limited companies established has shown an upturn in the past few years, rising from 2 987 in 1978 to 9 148 in 1986 and 29 801 in 1989. Registrations of businesses established in other legal forms were relatively few in number throughout this period.

Data regarding the self-employed are given in Table 3, Annex 1; the same information is given in the form of a bar chart below.

FIGURE 2

Number of self-employed persons in activity or unemployed, 1980-1989



The figures relating to the self-employed show little change over the years; the total number of persons registered as self-employed over the period 1980-1989 is 2 499 900.

In this category, the number of unemployed greatly exceeds the number in activity.

Neither the data regarding the number of incorporated businesses nor that regarding the self-employed appears to correspond to reality: observations on the ground suggest that the figures could be higher. Probably this is an indicator of the size of the black economy. In addition, the predominance of the public limited company has already been noted, and it may be that the self-employed, if they decide to set up an incorporated business, would tend to prefer this form. The preference for the public limited company appears to be due to several factors: the shares are more readily transferable; limited companies are subject to fewer requirements regarding share ownership and the identity of the members; and in the view of entrepreneurs, they are more profitable.

This trend will probably change as a result of the new legislation governing the limited companies; in addition, a minimum capitalization of ptas 1 million is required.

As we see from Table 4, Annex 1, based on studies by the National Employment Agency (INEM), from July 1985 to December 1989 a total of 186 437 persons entered self-employment, 11 940 persons became members of cooperatives and 24 986 persons became members of workers' limited companies (sociedades anonimas laborales).

The data show an increase in the number of persons entering self-employment and a decline in the number establishing cooperatives or workers' limited companies. It will be noted that these data do not correspond to those given earlier, at least as regards the number of self-employed persons. The figures (INEM) only relate to those persons benefiting from the lump-sum payment available under the unemployment insurance system.

1.2.2 New businesses established from 1981 to 1987 by sector of activity

In Spain, the sectors of activity are classified as follows:

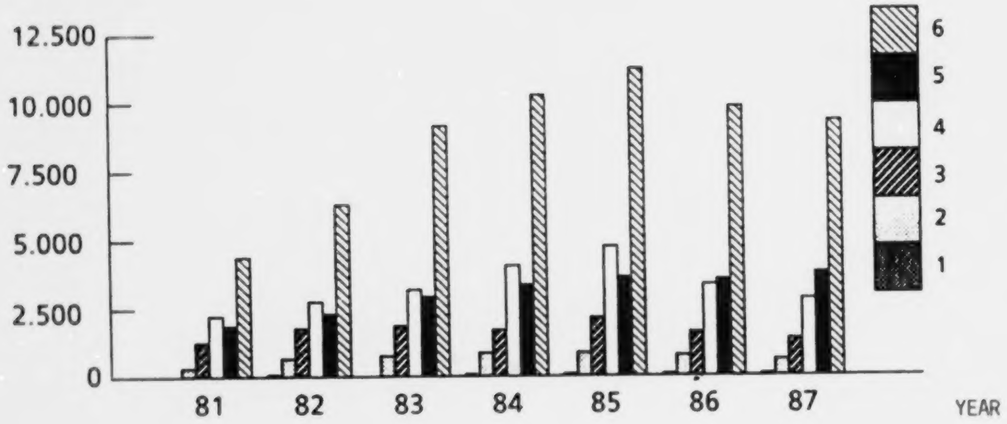
0. Agriculture and fisheries
1. Energy and water
2. Extraction and preparation of metalliferous ores
3. Processing of metals
4. Other manufacturing industries
5. Building
6. Commerce, catering and lodging
7. Transport and communications
8. Financial institutions, insurance and business services
9. Other services.

Table 5, Annex 1, shows the distribution by sector of trading companies over the years 1981-1987.

Figure 3 below sets out the same data in the form of a bar chart, excluding sectors 0, 7, 8 and 9 (i.e., covering the industrial sectors only).

FIGURE 3

Number of trading companies established in the years 1981-1987, by sector of activity (1, 2, 3, 4, 5 and 6)



It will be seen from this data that the greatest number of new businesses fall into sector 6, commerce and catering, followed by sector 8, financial institutions, insurance and business services, and sector 4, other manufacturing industries. The sectors attracting the smallest number of new businesses are 1, energy and water, and 0, agriculture.

The respective percentages for the agricultural, building, commercial and industrial sectors given in Table 5 are as follows:

0	2.17%
5	12.15%
6	33.99%
4	13.13%

According to INEM data, entrepreneurs who were formerly unemployed tend to favour the following sectors:

- Processing industries (30%)
- Services (26%)
- Commercial (11%)
- Transport and communications (9%)
- Catering (8%).

1.2.3 Number of new businesses established by autonomous region and year

The relevant data are set out in Tables 6 and 7 (Annex 1). Table 6 shows the number of new businesses established from 1981 to 1987 giving a breakdown by autonomous region, while Table 7 sets out the same data with reference to the population of each region, showing the number of start-ups per 100 000 inhabitants.

The greatest number of businesses were set up in those regions with the greatest demographic potential, i.e. Catalonia, Madrid and Andalucia. Taking account of the number of start-ups per 100 000 inhabitants, the figures show that the most active regions in this respect at Murcia (agricultural sector), the Balearics (tourism) and Navarra, while the least active is Extremadura.

Table 8 sets out data regarding new start-ups and the growth of existing businesses, showing the number of new establishments founded by sector and year. The table shows that the greatest number of new establishments concern sector 5 (building); a study carried out by the IMPI shows that 80% of businesses have only one establishment, while 22% have more than one.

2. NEW BUSINESSES: CRISIS AND FAILURE

First we shall set out the data regarding the number of business failures, and show those figures as percentages of the number of start-ups. Then we shall analyse the data relating to the number of bankruptcies and insolvencies by sector and year, region and type of business. Lastly, the number of employment adjustment measures authorized will be given, with a breakdown by type, effect and size of the business. The data were obtained from two sources, the National Statistical Office (INE) and the Ministry of Labour and Social Security.

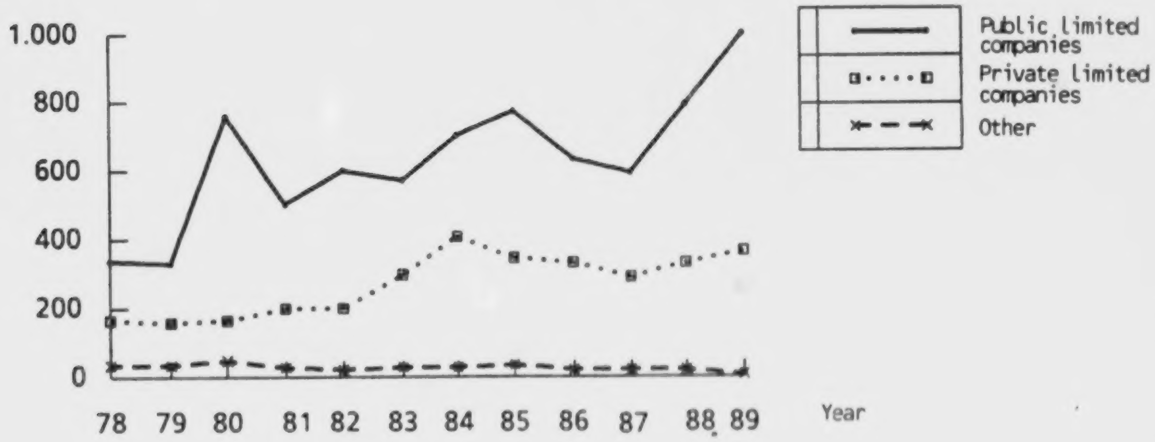
It is important to note that not all the businesses that cease trading are included in the statistics given below. Many keep their registration in effect for a number of years although totally inactive; normally there is no follow-up and the entrepreneur is reluctant to give information regarding the state of his business. The available data are inconsistent and not very reliable. For example, monitoring activities by the INEM suggest that between 8 and 9 out of 10 firms are still active one year after their launching, while an SACE survey covering 224 firms which had applied for financial aid showed that 88% were still trading, giving a failure rate of 12%. On the other hand, the IMPI study covering 920 new businesses gave a failure rate of 24.5%.

2.1 Number of businesses wound up, by legal status (official figures)

Table 1, Annex 2 gives the number of businesses wound up from 1978 to 1989, giving to a breakdown by legal status.

Figure 4 below presents the same data in the form of a graph.

FIGURE 4
Businesses wound up, 1978-1989:
breakdown by legal status



It will be seen that the total number of businesses wound up since 1978 is 11 163; public limited companies were the worst affected, and although there was no steady uptrend, the number of failures rose from 338 in 1978 to 997 in 1989. High failure rates were recorded in 1980, 1984 and 1985. Table 2, Annex 2 shows failures as a percentage of start-ups year by year, giving a breakdown by legal status. It will be seen that year by year more businesses are being set up and fewer are failing. Figures 6a, 6b and 6c on the following page set out these data in the form of graphs. It will

FIGURE 6a

Business failures as % of start-ups

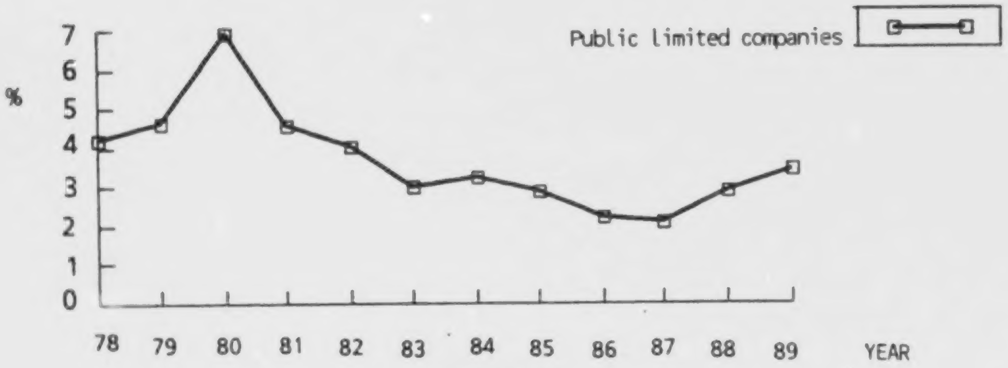


FIGURE 6b

Business failures as % of start-ups

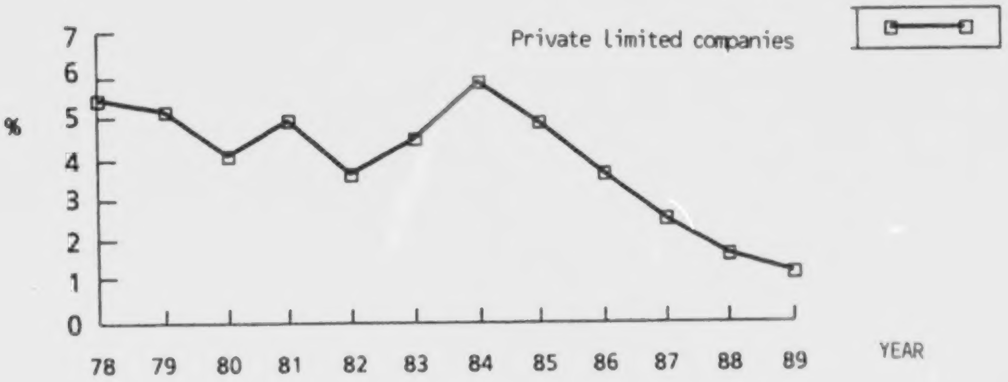
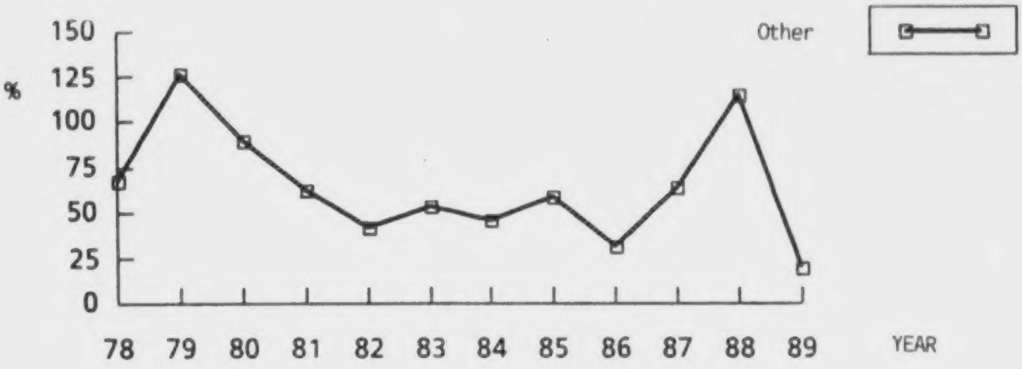


FIGURE 6c

Business failures as % of start-ups



be seen that the percentage of failures under "Other" is substantially higher than for the other two categories, and in 1988 and 1989 there were in fact more failures than start-ups. However, over the entire period the number of businesses established exceeded the number of failures.

2.2 Number of declarations of bankruptcy and suspension of payments since 1975

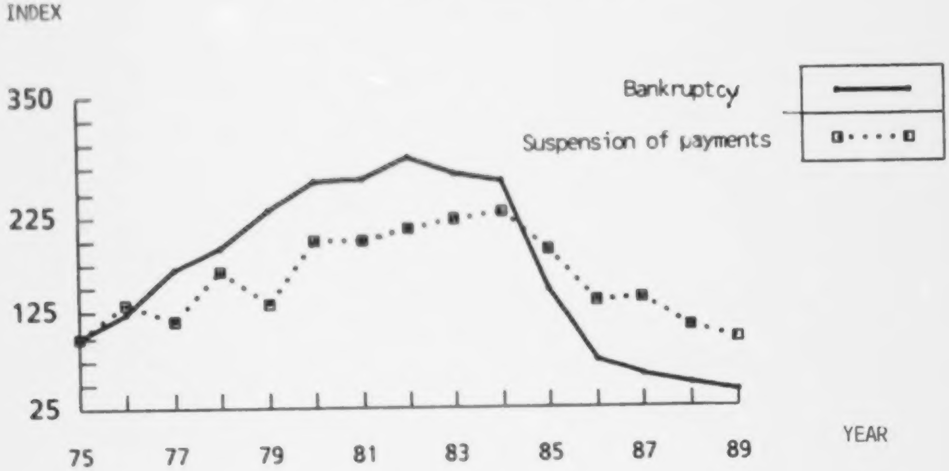
Tables 3 and 4, Annex 2 set out the number of declarations of bankruptcy and suspension of payments since the year 1975, giving the annual rate of change.

Figure 6 on the following page gives the same data in the form of a graph, taking the year 1975 as index 100.

The number of bankruptcies reached a peak in 1982 and the number of payment suspensions in 1984, as a result of industrial restructuring. From 1975 to 1980, the trends were irregular, but from 1980 onwards the two lines are more or less parallel, showing a clear downtrend from 1984, to reach lows of 69 for bankruptcies and 128 for payment suspensions in 1989 (it should be borne in mind that the data for 1988 and 1989 are provisional).

FIGURE 6

Trend in the number of declarations of bankruptcy and suspension of payments, 1975-1989 (1975 = index 100)



Tables 5 and 6 show the distribution of payment suspensions and bankruptcies by sector of activity in the years 1986-1989.

As regards payment suspensions, the sector worst affected was manufacturing industry (4), followed by the commercial sector (6). For bankruptcies, the worst hit sectors were building (5) and transport (7).

It may be noted that the sectors showing the highest business failure rates are also those carrying significant weight in the economy as a whole; for example, the greatest number of business registrations fall within sector 6 (commerce and catering), in which the number of failures is also on the rise.

The category most affected is the public limited company, as will be seen from Tables 7 and 8, Annex 2. Cooperatives and sole proprietor businesses also show a high failure rate; in general, however, failure rates are tending to decline for all categories of businesses.

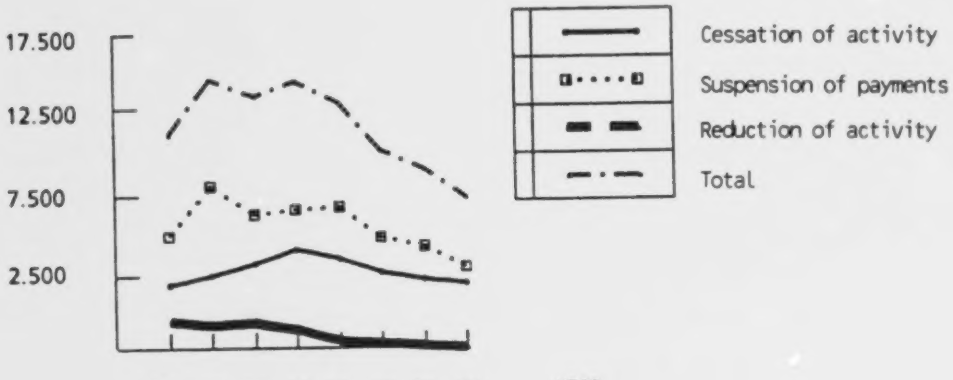
2.3 Number of employment adjustment measures authorized

Table 9 sets out the number of employment adjustment measures authorized, giving a breakdown by declared cause and year.

Figure 7 sets out the same data in the form of a graph.

FIGURE 7

Number of employment adjustment measures 1982-1989: breakdown by declared cause



Altogether 100 328 measures of this kind were authorized from 1982 to 1989, the peak year being 1983 with 15 088. From 1986 onwards a steady decline will be noted in the number of measures authorized; suspension of payments is the most frequent cause.

Table 10, Annex 2 gives a breakdown by size of the businesses affected, the worst hit being those with from 1 to 25 workers, representing 54.31% of the total, and those with 26 to 50 workers (11.94%).

It may be noted that the larger enterprises were affected to a steadily increasing extent until 1987, when the trend turned slightly downwards.

Only 10% of sole-proprietor businesses and 7% of businesses in which two or more persons are involved fail in Spain, according to INEM data.

Similar percentages (5-6%) apply to workers who leave their firm and enter self-employment.

2.4 The principal causes of business failure

An IMPI study involving 41 in-depth interviews with failed entrepreneurs suggested that the principal causes of failure were the economic crisis and its repercussions, i.e. a fall in demand, changes in market trends, excess productive capacity and over-staffing. Another factor cited was the lack of profitability - or losses - arising from excessive wage costs due to over-staffing or lack of labour market flexibility. A third factor was the high cost of money (interest rates), making it difficult to finance the necessary investments and maintain high stock levels. The paucity of information regarding real costs was cited as the fourth among the principal causes of business failure.

As regards specific problems, inefficient management was highlighted in the study, resulting in the absence of a business strategy, inadequate market forecasts, and incompetent managerial staff and production personnel. Inadequate organizational structures, resulting in over-staffing and inefficiency on the part of the various departments involved were also noted.

A study carried out for the Directorate-General for Young People by the TMC (Tradel Marketing Corporation S.A.) identified the principal causes of business failure as a lack of training in business management, conflict between the partners or associates, a lack of adequate financial resources and a failure on the part of the entrepreneurs to inform themselves about financial aid measures. The difference between the results of the two studies may be due to the fact that the first was based on a series of non-directive interviews in which the entrepreneurs attempted to defend themselves, attributing the causes of their failure to external factors, while the second was based on a questionnaire survey, in which the number of possible answers was restricted.

3. AID PROGRAMMES FOR BUSINESS CREATION

The great majority of current aid programmes are concerned with the following aspects:

- the provision of information regarding the various legal forms under which a business can be established, the necessary administrative procedures and the types of aid available to those eligible;
- the preparation of business plans, market surveys and studies of the economic viability of the project, and the provision of appropriate advice;
- assistance with the management of the business during its first year;
- training for entrepreneurs about to launch a business with financial aid covering from 60 to 90% of the total cost involved;
- technical assistance, mainly during the first year of activity;
- financial aid for investments entailing employment generation, in the form of grants (30%) or loans at subsidized interest rates;
- positive action to increase the number of women entering the world of work and entrepreneurship. In addition, financial incentives are offered to small and medium-sized businesses taking on women in sectors - or for occupations - in which they are under-represented.

3.1 ADVISORY AND INFORMATION SERVICES

This type of provision is aimed both at would-be entrepreneurs and those already running their own businesses. The aim is to promote and facilitate business creation and development. Activities include the following: facilitating the necessary administrative procedures; guidance and advice regarding the most suitable legal form for the project; encouraging the entrepreneur to carry out a market survey before the project is launched; helping to prepare the project and discussing it with the entrepreneur; informing the entrepreneur regarding the various financial aid measures available; carrying out jointly with the entrepreneur a study of the project's economic viability, often with the assistance of a team of economists and lawyers; informing entrepreneurs about possible sources of loans and how to apply for them; advising the entrepreneur regarding the possibilities for the success of his project; encouraging him to proceed if the assessment is positive and attempting to dissuade him from going ahead if success is thought unlikely.

The various public and private bodies providing this type of aid will be described in Annex 3, where we shall go into greater detail regarding their policies and methods, the number of years for which they have been in operation and the cost of their services; in certain cases data will be given regarding their users.

3.2 PUBLIC AND PRIVATE FINANCIAL AID

In Annex 4 we shall describe the financial aid measures adopted by the central, regional and local authorities to promote business creation and development.

The central government has introduced a series of measures to promote the establishment of new businesses and the resulting employment generation. These measures are compatible with the initiatives launched by the respective autonomous regions.

In granting aid, account is taken of the economic viability of the project in question, the necessary capital investment and the number of jobs to be provided. The sector chosen is also taken into account, with special preference being given to projects in the industrial sector. Financial incentives are offered to businesses taking on or accepting as partners or members unemployed persons aged under 25 or persons aged over 25 who have been unemployed for more than one year. Special grants are also accorded to firms hiring workers aged over 45 or handicapped persons. Women setting up businesses and firms hiring women can also obtain this type of aid.

3.2.1 Financing by private banking institutions and savings banks

Since 1983 banks have offered special credit lines for would-be entrepreneurs. The principal features of these loans are the following:

- a term of 5-6 years, with a grace period of 1-2 years;

- an amount corresponding to 75% of the total investment involved;

- preferential bank interest rates, or 1-2 points over the standard rate;

- the credit lines open the way to obtain subsidized loans;

- special facilities are available to finance working capital, up to 25% of the total amount normally employed;

- the evaluation of the project in question is the primary consideration when granting these credit lines; lesser weight is attached to family or other guarantees;

- special attention is given to applications from persons aged under 30. In such cases the bank requests that one of the associations of young entrepreneurs or certain other banks should provide, through their own services, advice regarding management and the utilization of appropriate technologies. The cooperation of the bank's research services is also offered;

- the banks also help with export business, providing information regarding suppliers or clients in other countries;

- the banks will also offer assistance in establishing pension funds, granting credit to third parties, and access to the unofficial stock market.

3.2.2 Criteria for the granting of aid

In the case of new businesses, the principal criteria for the granting of aid is financial viability, although in the autonomous region of Madrid special attention is given to projects concerning the industrial sector and located in the southern zone. A most important factor is potential employment generation, especially as regards unemployed persons aged under 25, the long-term unemployed aged over 25 and/or women.

One of the aims is to strengthen high technology industries or those involving new materials, in view of the need to develop this sector in the face of the challenge of the Common Market. Aid is accorded to improve product quality in the textiles, graphic arts and furniture sectors.

For access to training courses in business management the viability of the project submitted is less important than the characteristics of the applicant. Depending on the body in question, this type of aid is granted to the long-term unemployed, young people aged under 25, and women entrepreneurs; the personality of applicants is carefully considered in all cases.

3.3 TRAINING PROVISION FOR WOULD-BE ENTREPRENEURS

A brief description will be given below of the major business schools in Madrid, whose activities cover the entire country.

Private institutions exist, offering training courses to would-be entrepreneurs and those already running their own businesses. Recent years have seen a proliferation of Masters' courses aimed at holders of higher education qualifications (e.g. university graduates) wishing to enter the business world as entrepreneurs or executives. These courses are claimed to provide a training complementary to university courses: during the 1989/90 academic year, some 120 public and private institutions were attempting to market their own diplomas and programmes. Mastery of English is a basic requirement.

Most of these institutions offer training programmes in one of the following categories:
- general: for example, business management, international relations;
- functional: industrial management, human resources, management of new technologies, marketing and financial management;
- special: setting up a business, women entrepreneurs, management of small and medium-sized businesses, decision-making in business, etc.;
- specific: courses designed in accordance with the specific requirements of firms or other groups of users.

The Asociacion Espanola de Grandes Escuelas de Negocios (Association of Spanish Business Schools) recognizes only the following institutions in Madrid, where there are seven applicants for every place available.

The Instituto de Estudios Superiores de Empresa (IESE) (Academy of Business Studies), c/ Abeto 8, Aravaca, 28023 Madrid. Tel. 34-1-3572763.
Dependency of the University of Navarra (Opus Dei). One of the oldest on the European continent. The duration of the programme is 21 months (full-time study). It also runs a programme compatible with working hours. Number of students admitted: 222. Average age: 26. Cost: ptas 2 900 000.

Instituto de Empresa (IE) (School of Business Studies), C/ Maria de Molina 11, 28006 Madrid. Tel. 34-1-2628100.
Although of recent creation, the prestige of this institution is very high. Special attention is paid to candidates who wish to set up their own businesses or who have already done so. The duration of the programme is 10 months of full-time studies or 15 months following a programme compatible with working hours. Number of students admitted: 298. Average age: 25. Average work experience: 1-2 years. Cost: ptas 1 300 000.

Instituto Universitario de Administracion de Empresas (ICADE) (College of Business Studies), c/ Alberto Aguilera 23, 28015 Madrid. Tel. 34-1-2486569.

Dependency of the Universidad Pontificia de Comillas (Pontifical University of Comillas, a Jesuit institution). Courses are aimed at persons without previous occupational experience. An old-established institution enjoying high prestige. The duration of the programme is 2 years. Number of students admitted: 120, with an average of 3-5 years' work experience. Cost: ptas 950 000.

Escuela de Organizacion Industrial (EOI) (School of Industrial Organization), c/ Gregorio del Amo 6, 28040 Madrid. Tel. 34-1-5339504.
A dependency of the Ministry of Industry and Energy, this is an old-established institution. Its programme lasts for 21 months, including 6 months of remunerated practical work in firms. Number of students admitted: 40. Average age: 25. Courses are aimed at persons who obtained a bachelor's degree within the three preceding years. Cost: ptas 2 150 000.

Madrid Business School (MS), Avenida Pio XII; 26-28, 28016 Madrid. Tel. 34-1-3457888.
Promoted by the Banco Espanol de Credito and with academic support from the University of Houston. Very recently established. The duration of the programme is 2 years of full-time study. Number of students admitted: 240. Average age: 25. Cost: ptas 3 000 000.

Escuela Superior de Administracion y Direccion de Empresas (ESADE) (College of Business Management and Administration), c/ Cinca 13, 28002 Madrid. Tel. 34-1-5638100.
Set up in 1958 by the Fundacion humanista Ensenanza y Formacion (The Humanist Foundation for Education and Training). The duration of the programme is 21 months of full-time or three years of part-time studies. Number of students admitted: 220. Average age: 27, with an average work experience of 1-3 years. Cost: ptas 2 600 000.

Some of these institutions will be further discussed later in this section.

3.3.1 The Directorate-General for Young People

Youth employment programmes subsidized by the Municipality of Madrid and the European Social Fund.

Courses

For entrepreneurs and managers. 1987/88. Aimed at unemployed graduates aged under 25, the course is divided into three subject areas: law, economics and mixed. The duration is 440 hours for groups of not more than 25 trainees. Since 1988/89 the course has been open to students of all ages, who may also be diploma holders. A selection interview is held, to evaluate candidates' motivation as regards attendance at the course, application of the knowledge acquired and entry to the vocation of entrepreneur. Assessment is based on examinations, reports by the teachers and a business creation project. The course is free of charge and the programme content covers the commercial, labour, economic and financial aspects, organization and management, the Spanish tax system, human resources, marketing, foreign trade, informatics and projects.

Small business management for social workers. 1989/90. This course was set up at the request of the Colegio de Asistentes Sociales (Social Workers' School). The duration is 400 hours for groups of not more than 25-30 trainees; participants are 95% women and only 10% express an intention to set up a business, the remainder merely wishing to expand their knowledge.

The course is free of charge and the programme comprises eight modules: commercial aspects, personnel management, economics and finance, tax questions, business strategy and marketing, human resources, problems of SMEs and a business creation project.

Small business management for community workers. Set up in 1988, this course is aimed at persons with a minimum of three years of upper secondary studies, account being taken of experience as community worker, time spent unemployed and income level. The programme is similar to that described above for social workers. It is free of charge, lasts for 400 hours, and is given to groups of not more than 25 trainees.

3.3.2 The Chambers of Commerce

Courses

Training for would-be entrepreneurs: 200-hour course for holders of upper secondary education certificates or second-level vocational training qualifications aged under 25, with the object of motivating and training participants to set up their own businesses. Candidates are selected on the basis of a business project submitted and an assessment of their suitability for entrepreneurship. The number of trainees per group is 15 and enrolment is free of charge since the courses are subsidized by the INEM. The programme covers business management, production and financial management, human resources, legal and administrative matters, accountancy, tax questions and aids and incentives available for the start-up and development of businesses.

3.3.3 The Confederacion Espanola de Organizacions Empresariales (CEOE) (Spanish Employers' Confederation)

Business management course

The course is aimed at the sons of businessmen and young would-be entrepreneurs. The duration is 1 300 hours spread over two years. Candidates must have completed three years of upper secondary education; few university graduates are accepted, to obviate differences in educational level. The study plan covers the following subjects: economics, law, accountancy, statistics, informatics, English, communication, marketing and commercial organization, human resource management, techniques of production, management of finance companies and managerial techniques. Enrolment fees for each of the courses amount to ptas 200 000. The courses were first organized in 1985: in agreement with the IMPI, prizes of up to ptas 500 000 are awarded for the most viable business projects in the industrial sector.

3.3.4 The Escuela de Organizacion Industrial (EOI) (School of Industrial Organization)

Courses

Training programme in business creation. The object is to provide participants with an overview of the various aspects of business management. The duration of the course is 500 hours and it is aimed at persons with a vocation for entrepreneurship. Mention should be made of a special training course for women entrepreneurs organized by the EOI in conjunction with the Instituto de le Mujer (Office for women's affairs).

The courses are subsidized by the INEM; long-term unemployed persons participating receive a monthly allowance corresponding to 75% of the minimum wage under inter-trade agreement, while under-25s are accorded a daily allowance in accordance with the 1990 FIP (Vocational Training and Integration) Plan. Candidates are required to submit their CV and a summary of a business project together with their application form. Participants are selected mainly on the basis of their personality characteristics. The course covers financial reports and analysis, simulated management, applications of informatics, marketing, legal and fiscal aspects, human resources, the European Communities and local aid measures, communication, case studies in local business creation, and a module concerning the problems faced by women in the world of work. At the end of the course participants are required to submit a business project.

3.3.5 The IRMASA - development initiatives

In conjunction with the Directorate-General for Women, IRMASA organizes "workshops" for women entrepreneurs who have a business creation project or a plan for the development of an existing business, or those already involved in the start-up or development of an enterprise. The workshops are also open to firms in which 50% of the active partners are women, who must not be under-represented at managerial levels.

The programme includes periods of theoretical and practical training for a total of 3-6 months and covers legal and financial questions and marketing.

The training, including tuition, assessment and an opinion on the business project submitted, is free of charge.

3.3.6 CONSEJERIA DE AGRICULTURA Y COOPERACION (AGRICULTURE AND AGRICULTURAL COOPERATIVES OFFICE)

The aim of the Agricultural School is to prepare young people for entry to the agricultural sector, giving them a clear idea of the system of cooperative associations and making them aware of the responsibilities attaching to decision making.

The School also informs would-be farmers and those already active in the sector regarding current financial aid measures, advising them that to obtain access to the latter they will have to devote a certain number of hours to training and become capable of maintaining the accounts relating to their holding.

Course content:	Accountancy, taxation, the cooperative associations, marketing, and legislation relating to farming.
Duration:	50 hours, spread over 5 days or more if necessary.
Cost:	Free of charge; travel expenses are subsidized.
Location:	Villaviciosa de Odon or at the offices of local authority agricultural departments.

The course is often accompanied by two other modules covering cultivation techniques and mechanization, adapted according to the speciality concerned: e.g. horticulture, cereals, etc.

3.3.7 BARCELONA ACTIVA

This Organization offers five single subject courses on different aspects of business management, with a total duration of 30 hours; 61 trainees are admitted. The courses cover the following subjects: basic accountancy, economic and financial management, marketing, foreign trade and taxation.

The Organization also promotes the use of its library and software material, organizes round tables, seminars and conferences, and offers continuing training.

3.3.8 THE SACE

The Servicio de Apoyo a la Gestion Empresarial (Business Management Support Service) in Barcelona is subsidized by the INEM and offers training to persons involved in setting up their own businesses. Its object is to provide trainees rapidly with practical knowledge which can be applied directly. The courses are conveniently arranged and can be combined with activities involved in the start-up phase of a new business. Subjects covered include basic business data processing, accountancy, personnel management, foreign trade, etc.

3.3.9 THE PRINCIPALITY OF ASTURIAS

Projects

Course for cooperative/mutual sector entrepreneurs. The programme covers areas such as creativity, problem solving, business start-up, legal forms, viability studies, market research, marketing, team work, etc. Theoretical studies are combined with simulation games, practical work and visits to the various bodies involved. The course is free of charge and aimed at young people seeking an alternative form of employment.

Consejeria de la Juventud (Youth office)

Course in small business management, aimed at young people with business projects and designed to provide a basically practical training covering every aspect of the constitution, start-up and development of small and medium-sized enterprises. The duration is 400 hours for groups of 20 participants, who are selected primarily on the basis of their interest in entrepreneurship or intention to launch a business project. Trainees receive an allowance of ptas 255 per hour of training and ptas 91 in respect of travel costs.

Course in business management techniques, aimed at holders of qualifications in business management, personnel management, production, marketing and economic and financial management. The course lasts for 450 hours and is given to groups of 20 unemployed persons aged under 25. Preference is given to holders of qualifications in law, economics and business studies, or sociology. Trainees will receive an allowance of ptas 255 per hour of training plus ptas 91 in respect of travel costs.

Consejeria de Hacienda y Economia (Regional Office for Financial and Economic Affairs

Basic training course in entrepreneurship aimed at unemployed persons and others wishing to set up their own businesses or entrepreneurs already in business who wish to expand. It includes a series of courses on specific questions such as financial management, tax questions (VAT, income tax), accountancy, and an introduction to business informatics.

Courses in self-employment are also offered, aimed at the unemployed; course content is adapted according to demand. Up to the present, 25 courses have been given to a total of 580 trainees.

3.3.10 THE GOVERNMENT OF EXTREMADURA

The Extremadura authorities grant subsidies of up to 50% of the cost to bodies organizing training courses. Attendance at training courses or seminars, travel costs (in Spain or abroad), and participation in fairs, exhibitions, etc. are also subsidized (Decree 4 of 1 February 1989).

3.3.11 CANTABRIA

In Cantabria training activities are conducted by bodies such as the INEM, the CEOE-CEPYME (Spanish Employers' Confederation and Confederation of Small and Medium-sized Enterprises), the Chambers of Commerce, the regional authorities of Cantabria and certain private colleges.

Subjects covered include the following: marketing, business management, buying and stock control, sales management in general and by type of product, commercial psychology, publicity, human relations in the enterprise, Spain and the European Community, techniques of social research, the cooperative movement, languages, financial, administrative and staff management for SMEs, and window dressing.

3.3.12 THE REGIONAL GOVERNMENT OF ARAGON

The Government of Aragon runs an extensive training and retraining programme for entrepreneurs and businessmen throughout the region. It also organizes seminars and study days on specific subjects, and longer courses in which it takes an active part as regards course design and financing. Mention should be made of the courses on product quality improvement, market penetration, patent rights, industrial design, computer-aided design and its application in clothing manufacture.

3.3.13 NAVARRA

Initiatives to promote entrepreneurship

Training course for entrepreneurs. Designed to give participants an overview of the various activities involved in running a business, and enable them to identify market opportunities. Theoretical instruction is given in the following subjects: introduction to entrepreneurship, financial reports, simulated management exercises, business management, marketing, financial analysis, legal and fiscal questions, human resources, management control, the European Communities, local aid measures, and how to set up a business. Practical exercises include: discussion of projects, simulation games, case studies, etc.

The course lasts for 8 months, and is open to Navarra residents intending to launch a business project, no university diplomas or particular qualifications being required. Candidates are required to submit a business project and undergo a series of selection tests. The maximum number of participants is 25. Enrolment fees amount to ptas 50 000, of which half is paid at the commencement of the course and the remainder after three months. The course is given by teachers from the EOI (School of Business Organization) and the Business Development and Studies and Research Centre of the Ministry of Industry and Energy.

The previous course gave very positive results, giving rise to 14 viable projects of which ten have been launched.

3.4 PROMOTING THE SPIRIT OF ENTERPRISE

All those consulted agree on the need to promote the spirit of enterprise in the context of secondary and university education. Up to now, training courses offered have been designed to prepare participants to work for others as wage or salary earners - even though in an entrepreneurial capacity; however, some organizations, like the Spanish Employers' Federation, have drawn attention to the need to encourage young people of working age to become entrepreneurs on their own account. They have organized a series of study days, talks and conferences aimed at universities, colleges and other education institutions on the theme "how to set up a business". Certain local governments - such as that of Las Rozas - have been working along the same lines, taking measures designed to stimulate the spirit of enterprise. Other bodies such as the Chambers of Commerce and the Directorate-General for Young People are planning actions of the same kind.

Job Creation, in conjunction with the local authorities of Estella and Alsasua, has taken measures along the same lines to promote local development. The aim is to stimulate business creation initiatives through a series of talks, meetings, conferences, etc.; the response from the public has been very positive and the experiment will be repeated in Seville in the near future.

To foster the spirit of enterprise, the Youth Office of the Principality of Asturias holds a competition every year for the best business ideas and projects for the region's eastern zone. Open to young people - individuals or groups - aged under 30, the competition calls for the submission of business projects showng real prospects for the employment of young people in the zone. The top prizes are ptas 50 000 for the best idea and ptas 500 000 for the best project.

A very interesting scheme is underway in the region of Valencia, run jointly by the Departments of Culture, Education and Science, Agriculture and Fisheries and Labour and Social Security of the Regional Government of Valencia and - since 1987 - the IMPIVA (Valencia Small and Medium-sized Business Office). Entitled "Transition from school to working life", the scheme comprises two programmes:

Introduction to the cooperative movement. Aimed at basic and secondary education, vocational training and adult education students. At basic education level, the programme is designed to introduce students to the concepts of group work, the division of responsibilities and cooperation in as many areas as possible, the material introduced being both descriptive and educational. At higher levels the formation of a cooperative is presented as an alternative form of employment.

The Valencia Government conducted an information campaign throughout the region in 1986; those centres expressing an interest were supplied with the relevant documentation, and the teaching staff were given suitable training. Since 1988, the Government has awarded 12 prizes each of ptas 500 000 every year for the best cooperative projects.

The results have been highly satisfactory and the programme has been well received; since 1988, seven cooperatives have been set up and last year 35 projects were submitted, most of them in vocational training centres.

Creation of micro-enterprises in schools. This programme, aimed at basic and secondary education institutions, is designed to foster the creation of micro-businesses within the institutions.

The Government awards 30 prizes of ptas 200 000 each plus visits to firms in France to the best micro-enterprise projects. This programme has also been well received; last year, 52 schools entered the competition and a regional federation of micro-enterprises was set up in Denia.

Training for teachers and the necessary teaching material is supplied free of charge by the Valencia Government. The training programme for both projects is similar and includes:

- how to set up a cooperative;
- how to set up a business;
- techniques of simulated training, in a laboratory environment;
- application of the case studies methodology, to familiarize trainees with decision-making on the basis of information supplied by the IMPIVA regarding actual businesses in the Valencia region;
- guide to the services provided by banks;
- guide to the preparation of trainees for visits to firms.

The junior enterprise programme run by the Government of the Basque region is designed to promote the creation of students' associations by young university students. An allowance of ptas 150 per hour is accorded to students participating in the development and presentation of business projects. Projects must be supervised by a university lecturer.

4. CONCLUSIONS

4.1 The majority of new businesses are set up as limited companies, and are small, with fewer than ten workers. Many - though not the majority - are family businesses. Almost all operate from a single establishment and their capitalization is relatively low.

4.2 The great majority are service sector enterprises and are highly dependent on the financial resources of the family or the business itself. Few generate new industrial products which are highly competitive.

4.3 New entrepreneurs are usually from 30 to 39 years of age, have university-level education and have acquired knowledge of a particular sector in their former employment.

4.4 The number of women entrepreneurs is rising, but they are still in the minority. Corrective measures have been introduced through financial subsidies, training aids and logistic support. Positive action programmes have been introduced, designed to ensure that women are represented at all levels in the business world.

4.5 The numbers of men and women applying to the various institutions for information on how to set up a business are more or less equal.

4.6 The institutions report a lack of knowledge regarding the various aspects of business management on the part of the majority of persons expressing a desire to set up their own enterprise.

4.7 The principal problem facing the entrepreneur in the establishment of his business is financing and the difficulties encountered in obtaining bank credit.

4.8 The "three-year crisis" afflicting new businesses results from the expansion of the business necessary to broaden markets and diversify products, coupled with the need to take on more staff.

4.9 Dissension between members or partners, failure to delegate responsibilities and a lack of knowledge of the techniques of human resource management often lead to the failure of small businesses.

4.10 Support in the form of advice and information is necessary. The object is to teach entrepreneurs problem-solving techniques rather than find solutions to problems posed at consultation sessions; i.e. the emphasis is on training rather than advice as such.

4.11 During the start-up phase, new entrepreneurs need support to facilitate the completion of the necessary administrative procedures.

4.12 Financial aid from local, regional or central government sources is complementary in character; however, many new entrepreneurs consider these funds as an integral part of the capital investment necessary and the delays entailed result in inadequate capitalization or a shortage of liquidity.
The new enterprise must be able to stand on its own, independently of support measures from which it may benefit at one time or another; the latter are always transient in character.

4.13 In the opinion of several institutions, non-repayable grants are not very effective. A person who invests his own capital in his project becomes more deeply involved in it. Financial aid in the form of loans on special terms is more suitable.

4.14 As regards training, all the institutions agree on the need for new entrepreneurs to receive training regarding the strategic and tactical aspects of business and financial management and the optimum utilization of human resources. These three aspects are basic in ensuring the success of a new business in whatever field it is operating.

4.15 The new entrepreneur is faced with a role change situation. Formerly unemployed, an employee or simply a spouse, from the moment the entrepreneur goes into business he or she becomes responsible for managing inter-personal relationships, providing information and making decisions for people who often lack qualifications. Hence the need for training programmes which include instruction in the management of social relations and the techniques of problem-solving.

4.16 Aid measures in respect of training in business management are not the most numerous category, but their importance is being recognized to an ever greater extent. Reminders of the depression in Europe in the 1930s led to the introduction of financial aid for business creation in the 1980s; however, the failure rates observed point to inadequate training on the part of entrepreneurs obliged to close their businesses. In the 1990s support for training will acquire a new significance if it is hoped to ensure the survival of the new business initiatives we are promoting.

4.17 The major business schools enjoy high prestige and appear to be successfully achieving their objectives. However, by contrast with American schools, it is not often easy to determine the extent to which their achievements are in harmony with the objectives described in their programmes. On completing the courses trainees are assessed and in return give an evaluation of the course as they viewed it; however, no attempt is made to monitor former trainees' subsequent progress on taking up employment or setting up their own business. There is therefore no objective follow-up, the data supplied being based on observations by ex-students who maintain sporadic contact with the teaching staff or retain their services as advisers.

4.18 Between 1 and 2% of the funds allocated to financing business creation programmes should be devoted to the monitoring and evaluation of the results attained with a three-year horizon. In this way reliable data will be made available regarding the "three-year crisis".

4.19 Business incubators function effectively when they also provide training courses. Plans to establish incubators are in preparation in a number of Spanish regions.

4.20 Four different mental attitudes may be identified in Spanish society with regard to work. They relate to prospective employees, officials, entrepreneurs, and those who wish to create their own employment. No attempt is made to foster the entrepreneurial spirit in schools or universities, although in some subject areas such as social science, exercises and activities could be introduced which would achieve this aim. Enterprise training is called for in schools, colleges and universities. The spirit of enterprise is lacking; there is a need to promote creativity, a spirit of cooperation and competition, a capacity for team work, an understanding of human relations, managerial skills and an ability to participate or delegate. One of the Spanish banks has introduced a credit card for adolescents; this will enable holders to learn for themselves about the workings of the financial system.

4.21 The Gulf crisis will undoubtedly affect the small and medium-sized business sector. Interest rates will rise and investment and liquidity will be squeezed. Demand will decline and the only firms to survive will be those offering products and services at a reasonable price. The crisis in the 1970s demonstrated the high risk to the banking system arising from the indebtedness of the major firms when payments were due. It also showed that the risk was lessened where indebtedness was spread over the small and medium-sized business sector. The outlook is unclear at the present time and it is hard to predict whether the coming crisis will affect large firms to a greater extent than small businesses as regards the financial aspects. Much will depend on the line taken by the regional authorities and the banking institutions.

4.22 SMEs are at a disadvantage in competing with the major firms in respect of certain services and products; however, they have the initiative as regards certain other products and services which the major firms and the average consumer are prepared to buy at a reasonable price. The new entrepreneur must be prepared to determine strategy and take decisions affecting the future of his business in the context of an uncertain situation. Initiatives such as the "Senior Espanoles para la Cooperacion en Organizacion Tecnica" (Retired Executives for Cooperation in Business Organization) can provide support in elucidating the choice of possible options. The experience of retired entrepreneurs can provide material for discussion and dialogue in determining the limits within which small businesses can effectively compete in an environment largely fixed by the major enterprises.

ANNEX 1

TABLE 1

Annual change in GNP index and number of business start-ups, 1978-1989

YEAR	GNP INDEX	GNP % CHANGE	BUSINESS START-UPS
78	100	1,40	11.026
79	99,90	-,10	10.294
80	101,10	1,20	15.182
81	100,90	-,20	15.096
82	102,11	1,20	20.154
83	103,95	1,80	25.844
84	105,82	1,80	28.740
85	108,25	2,30	33.736
86	111,82	3,30	37.660
87	118,08	5,60	39.850
88	124,22	5,20	47.579
89	130,31	4,90	60.479

SOURCES: "Annual change in the GNP", Banco de Espana
"Business Statistics", INE

TABLE 2

Business start-ups, 1978-1989: breakdown by legal status

YEAR	PUBLIC LIMITED COMPANIES	PRIVATE LIMITED COMPANIES	OTHER	TOTAL
1978	7.990	2.987	49	11.026
1979	7.178	3.089	27	10.294
1980	10.976	4.156	50	15.182
1981	11.032	4.024	40	15.096
1982	14.672	5.427	55	20.154
1983	19.060	6.734	50	25.844
1984	21.727	6.959	54	28.740
1985	26.619	7.062	55	33.736
1986	28.454	9.148	58	37.660
1987	28.395	11.419	36	39.850
1988	27.440	20.118	21	47.579
1989	30.643	29.801	35	60.479
TOTAL	**234.186**	**110.924**	**530**	**345.640**
AVERAGE	19.516	9.244	44	28.803

SOURCE: "Business Statistics", INE.

TABLE 3

Number of self-employed persons in employment and inactive, 1980-1989
(000s)

YEAR	INACTIVE	IN EMPLOYMENT	TOTAL
1980	2.065	394	2.459
1981	2.085	377	2.462
1982	2.059	364	2.423
1983	2.114	351	2.465
1984	2.141	359	2.500
1985	2.115	339	2.454
1986	2.072	349	2.421
1987	2.204	388	2.592
1988	2.211	398	2.609
1989	2.614		2.614
TOTAL	21.684	3.319	24.999

SOURCE: Survey of the Working Population, INE.

TABLE 4

Number of entrepreneurs benefiting under the "lump-sum payment" scheme, 1985-1989: breakdown by legal status of enterprise

YEAR	SELF-EMPLOYED PERSONS	COOPERATIVES	WORKERS' COMPANIES	TOTAL
1985	12.430	1.420	3.010	16.860
1986	48.086	3.933	7.199	59.218
1987	53.052	2.998	8.142	64.192
1988	65.147	2.948	6.732	74.827
1989	74.174	2.773	5.050	82.097
TOTAL	252.989	14.072	30.133	297.194

SOURCE: Servicio Promocion de Empleo (Employment Promotion Service)
Instituto Nacional de Empleo (National Employment Office)

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Inter Initiatives

BUSINESS CREATION IN FRANCE

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* Basic statistics for the past decade

* Aid measures

* Training programmes

Lille, September 1990

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Introduction

During the 1980s public opinion in France swung round to become broadly favourable to business - and especially to the small and medium-sized business sector. This was far from being the case in the past, in a country in which the profit motive had for long been considered sinful and in which many workers saw themselves as exploited by their employer who was perceived to be a "class enemy": Prime Minister Raymond Barre caused a scandal in 1979 when he declared that "the unemployed had only to set up their own businesses".

However, staff reductions in the major firms together with a growing awareness that small businesses - especially those newly created - were, if not "beautiful", exceedingly useful for the employment they provided, and the discovery that entrepreneurs and managers in the small business sector were rarely motivated exclusively by cupidity and the desire for personal enrichment, all helped to reconcile the French people to the business sector in general.

This change of view had consequences at various levels:

- a growing number of French men and women accepted the idea that they might one day set up their own business or create their own employment: today, over 25% of the working population have expressed their intention to become self-employed;

- training in business management techniques is in widespread demand: the universities, which virtually ignored this type of training until the sixties, today provide it to thousands of students every year, while new organizations such as the "Boutiques de Gestion",[*] designed to facilitate widespread access to the techniques involved in setting up and managing businesses, have proliferated.

Today, the need for sound management in business undertakings is generally recognized even in non profit-making organizations:

- the Government has realized that promoting the creation and development of small businesses is consistent both with the objectives of industrial policy - renewing the fabric of the economy - and social policy - creating jobs accessible to those rejected by the major industries;

- most local communities have reached the same conclusions as the central Government. In addition, they are aware that they will have to depend to an ever greater extent on their own resources - and especially those of their entrepreneurs - for their development: since it is now generally admitted that development must proceed from the ground upwards and not from the top downwards, it follows that everything possible must be done at local level to create wealth, economic activity and employment.

With this in view, the public authorities have established policies and instruments at both and national and local level designed to facilitate business creation. In this report, we shall examine some of these instruments set up and managed by the Government and the local authorities over the past ten years to encourage entrepreneurs by facilitating their access to resources such as capital, premises, advisory services and training, etc.

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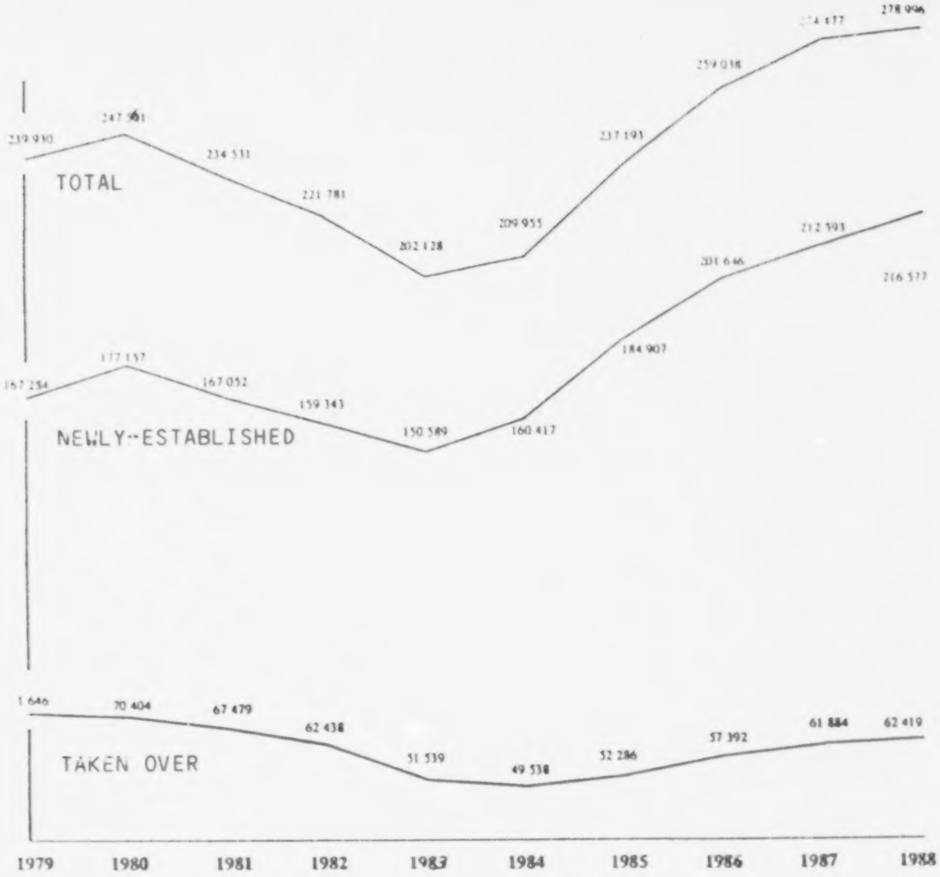
[*] See Chapter III.

However, the local authorities were not alone in taking action: many private bodies, both new and long-established, have also launched initiatives designed to promote and support business creation. We shall examine some of these measures in the following chapters.

Before reviewing the various facilities at the disposal of entrepreneurs and managers in the small business sector - with special reference to those designed to provide training in management techniques - we shall devote the first chapter to an analysis of the phenomenon of business creation to assess its importance and obtain a better understanding of the factors involved.



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CHAPTER I

BASIC STATISTICS ON NEW BUSINESS CREATION

1. Background

An examination of the overall trend in the number of businesses created from scratch or taken over during the past ten years points up three distinct phases.

The years 1980 to 1983 saw a gradual slowdown in the number of businesses newly set up or taken over, declining from 250 000 in 1980 to a little over 200 000 in 1983.

From 1984 to 1988 this trend was reversed, the number of registrations rising to almost 280 000 by the end of this period.

Since 1988, however, the trend has steadied and even fallen off slightly. This phenomenon appears to be linked to the decline in the number of job seekers, unemployment being one of the most important factors motivating business creation.

When the figures for new start-ups and businesses taken over are examined separately, a more favourable trend will be seen for those set up from scratch: while in 1985 the latter had already exceeded the level reached in 1980, by 1988 the number taken over had still not regained its 1980 level.

2. Sector by sector analysis

The statistics on the creation and take-over of businesses in the various sectors of economic activity show wide disparities and point up one significant phenomenon: the growing importance of the service sector, whose share rose from 46.8% in 1980 to 50.5% in 1988.

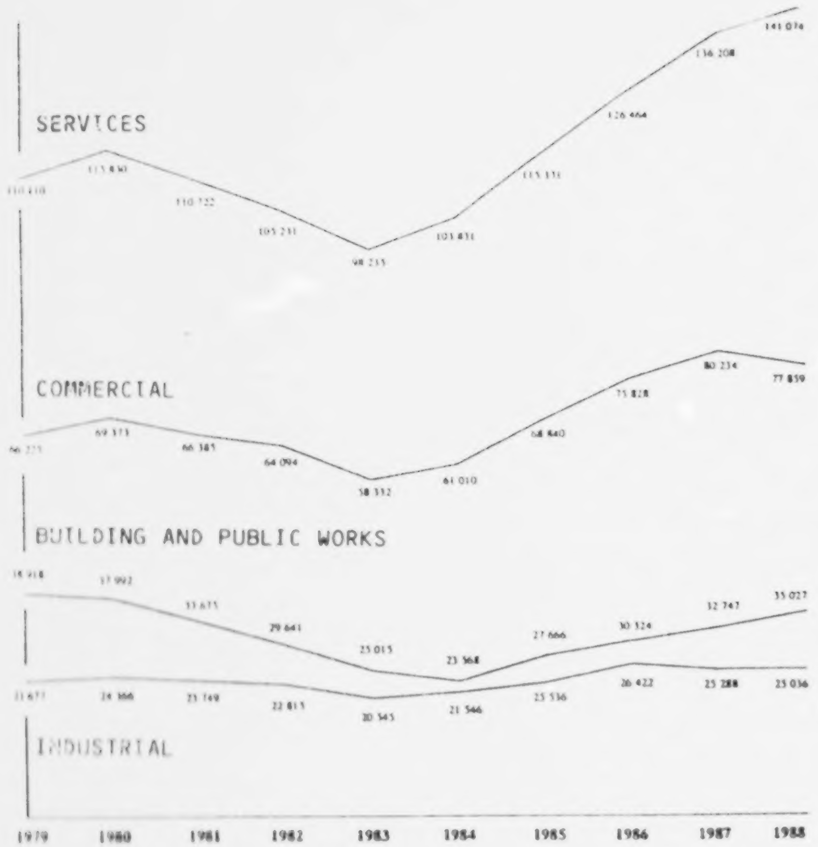
The share of the commercial sector is relatively static: around 29% from 1980 to 1987, with a slight fall-off in 1988.

The share of the building and public works sector shrank progressively from 1980 to 1984, declining from 15.3% to 11.2% of the overall figure, steadied at around 12% from 1984 to 1987 and, on the basis of the 1988 figures, seems to be rising once more (this trend has yet to be confirmed, however).

The share of the industrial sector held steady at around 10% until 1986; since then it has been tending to decline; however.

Share of the respective sectors in
total business registrations, 1980-88
(newly established + taken over)

	80	81	82	83	84	85	86	87	88
Services	46,8%	47,2%	47,5%	48,6%	49,4%	48,6%	48,8%	49,6%	50,5%
Commercial	28,1%	28,3%	28,9%	28,8%	29,1%	29,2%	29,3%	29,2%	27,9%
Building	15,3%	14,4%	13,3%	12,4%	11,2%	11,7%	11,7%	11,9%	12,6%
Industrial	9,8%	10,1%	10,3%	10,2%	10,3%	10,7%	10,2%	9,3 %	9 %



*Figures are for total business registrations (newly established + taken over).

Source: ANCE, 1989

The ANCE (Agence Nationale pour la Création d'Entreprise - National Business Development Agency) made the following comments on the figures in one of its annual reports: "a strong rise will be noted in the business services sector: studies, advisory services, communications, maintenance, data processing, etc. ... In the industrial sector, the figures are broadly static, showing little variation ... A high level of activity in new business creation is to be seen in sectors under pressure (e.g. building and public works, clothing and printing) ... The number of new high technology projects has been estimated at 300-400 per year".

3. Legal structure

Statistics regarding the choice of legal structure by those setting up or taking over businesses during the period 1986-88 show that sole-proprietor businesses predominate. However, more and more companies are being formed.

Choice of legal structure, 1986-88
(Figures include new start-ups and businesses taken over)

1986	1987	1988
Incorporated 34.5%	Incorporated 35.5%	Incorporated 37.5%
Unincorporated 65.5%	Unincorporated 64.5%	Unincorporated 62.5%

A breakdown between new start-ups and businesses taken over shows that the proportion of companies (i.e. incorporated businesses) is appreciably lower among the latter; however, the trend noted above in favour of company formation is more marked.

New start-ups and businesses taken over: breakdown showing choice of legal structure

	1986		1987		1988	
	New start-ups	Taken over	New start-ups	Taken over	New start-ups	Taken over
Incorporated	36.5%	28%	37%	30%	38.5%	34%
Unincorporated	63.5%	72%	63%	70%	61.5%	66%

This phenomenon - the relative decline in the number of unincorporated businesses and the corresponding rise in the number of companies - is an important factor in the consolidation of the sector, since companies generally have a better survival rate and a greater potential for development.

4. Influence on employment of business start-ups and failures

4.1 Failure rates

The most recent data available (INSEE - National Statistical Office - 1987) show that 50% of newly established businesses fail within five years.

The following table shows the failure rates for the first eight years:

1 year	20%
2 years	30%
3 years	38%
4 years	45%
5 years	50%
6 years	55%
7 years	58%
8 years	60%

These failure rates are substantially lower in cases where the entrepreneur has benefited from advice and training: 78% of businesses aided by ESPACE* during their establishment are still in operation after three years.

4.2 Failure rates by sector of activity

Statistics (not available) show that the failure rates are highest in the commercial and service sectors.

This confirms that the term "failure" is ambiguous. In fact, in many cases, small businesses cease their activities because the entrepreneur has found a better form of employment. Transfers of this kind are easier in the service sector than in industry.

---

* Etudes et Services pour la Promotion des Activités Créatrices d'Emplois - Studies and services for the promotion of activities generating employment.

4.3 Impact of new business creation on the total number of firms in activity (1987 and 1988)

Overall, the total number is stable, the increase from 1977 to 1988 being a mere 0.17%.

The sector by sector breakdown in the table below shows that the ratio between start-ups and failures is negative for industry, building and public works and the commercial sector, and that the stability of the overall figure is explained by the growth of the service sector (especially services to industry).

	Failures	Start-ups	Total 1987 businesses	Total 1988 businesses	% change
Industrial	22677	18612	271319	267254	-1.5%
Building & Public Works	33406	31321	332102	330017	-0.63%
Commercial	71898	56661	600882	585645	-2.54%
Services	84816	109983	900642	1005809	+2.57%
Overall	212797	216577	2184945	2188725	+0.17%

Source: ANCE, 1989

It should be noted that about 50% of the total number of closures is accounted for by the failure of newly established businesses. Measures designed to reduce the vulnerability of new businesses, therefore, have an appreciable effect on the growth in the total number of businesses in operation.

4.4 The effect of new business creation on employment

The number of wage and salary earners in France (all sectors) rose by 1.72% from 1987 to 1988; however the trend varied greatly from one sector to another.

While the number of jobs in industry fell by 0.7%, the trend in the building and commercial sectors was positive (up by 2.35% and 2.45% respectively) and the service sector showed the greatest gain with a rise of 4.7% over this period.

Job creation resulting from the establishment of new businesses accounted for about one-third of this increase overall and as much as 43% in the particular case of the service sector.

Increase and decline in employment resulting from new start-ups and failures respectively in 1988: breakdown by sector

Industry		Building & Public Works		Commercial		Services	
New Start-ups	Failures	New Start-ups	Failures	New Start-ups	Failures	New Start-ups	Failures
+18.27%	-28.12%	+21.87%	-21.62%	+17.18%	-22.15%	+42.68%	-28.11%

Source: ANCE, 1989

Eighteen months after their creation or change of ownership, the businesses on average employ three persons, whether wage-earners or otherwise.

New establishments employ 2.6 persons, while businesses which have changed hands, are are therefore older, employ 3.6 (INSEE survey, 1985).

The legal structure adopted also influences the volume of employment generated, since companies averagely employ three times as many persons as unincorporated businesses (5.4 persons against 1.8, after eighteen months of existence).

Virtually all newly established businesses are on a small scale, both in terms of the capital involved and the number of persons employed.

Within a few years of their launching, a few of these businesses have expanded to become effectively medium-sized, as is shown by the results of an ESPACE survey covering 905 businesses of every kind set up between 1983 and 1988.

Number of persons employed	Number of businesses	% of businesses	Total number of jobs	% of jobs
1	429	47.45	129	12.87
2-5	356	39.38	977	29.32
6-9	58	6.42	421	12.64
10-49	56	6.19	1 145	34.37
50 and over	5	0.56	360	10.80
TOTAL	904	100	3 332	100

This table illustrates the following points:

* nearly half of these businesses employ only one person: the founder himself. This category accounts for less than 13% of the jobs created;

* at the other end of the scale, 45% of the total number of jobs are accounted for by 6.75% of the businesses - those employing ten persons or more.

5. The entrepreneur

5.1 **Characteristics** (1985 figures, drawn from a 1989 INSEE publication)

"Man aged 34, technical qualifications, 15 years experience, seeks to set up his own businesses".

From this imaginary small-ad we can draw a profile of the average entrepreneur:

Sex:	Male in 72% of cases (INSEE survey, 1989), but more and more women are setting up their own businesses.
Age:	Averagely 35; the majority (57%) are aged between 25 and 40.
Educational level:	68% hold qualifications lower than the baccalaureat (upper secondary school leaving certificate) level, and of these 36% hold no qualifications whatever. 15% hold the baccalaureat or an equivalent qualification. 10% have completed at least three years of higher education.

The entrepreneur's educational level thus exceeds the national average for the working population. For example, 21% of heads of businesses established for less than two years hold higher education qualifications, against 13% for the working population as a whole.

It may be noted that those setting up businesses from scratch are more highly qualified than those taking over existing businesses: 24% of the former hold a higher education diploma (baccalaureat + two years of higher studies) against 13.5% for the latter.

5.2 The entrepreneur's social and vocational background

Job-seekers account for almost a quarter (23.2%) of the total number of entrepreneurs; however, a higher proportion (25.8%) of men than of women (16.8%) fall into this category.

Workers in employment make up the other major group, accounting for almost a third (32.2%) of all entrepreneurs.

5.3 Women and entrepreneurship

The figures available for the 1980s show a steady rise in the number of women setting up their own business; today they represent 28% of the total number of entrepreneurs. This trend is likely to continue, since ANCE-IFOP* surveys show that 47% of members of the working population stating that they have - or have had - the idea of setting up their own business or becoming self-employed are women.

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* IFOP = Institut Français d'opinion publique (French Institute of Public Opinion).

Two recent studies[1] have shown that businesses set up by women have certain differentiating characteristics. Women tend to favour:

- the commercial (45%) and service (44%) sectors, as against 24% and 41% respectively for men. Only 11% of women enter the industrial or building sectors, against 35% for men;

- smaller than average businesses, with no employees at the outset in 67% of cases (the average figure is 56%); they tend to set up sole-proprietor enterprises rather than companies.

The backgrounds of women entrepreneurs can be pictured with the aid of data provided in the studies already cited. According to Monique Tessier-Garcin,[2] the following categories may be distinguished:

- women who have been excluded from the labour market or who have never entered it (more than one in five belong to this latter category);

- those seeking, by establishing a business, a means of structuring their time employment more flexibly or a less watertight division between domestic and working life, by working at home or exploiting a particular skill or know-how;

- those who abandoned salaried employment to take advantage of an opportunity or to seek a more challenging situation.

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[1] The INSEE study already cited and that carried out by the Bordeaux IAE (Institut d'administration des entreprises - Business Management Institute covering 1 200 businesses set up from 1980 to 1986.

[2] Of the ANCE. We have used material drawn from her contribution to the Eighteenth EFMD Seminar held in Gent under the title "Les femmes et la création d'entreprises (Women and business creation).

To conclude, in France women constitute a source of entrepreneurial talent which has barely begun to make itself felt. But, in the words of Monique Tessier-Garcin, "there is a need to ensure that both women themselves and the support structures are kept informed of the nature of the evolving world of women's entrepreneurship, stressing the diversity of routes by which women come to set up their own businesses, and find a means to fire their projects with ambition to avoid the risk that their inferiority as employees will merely be carried over into self-employment".

5.4 Qualities of the successful entrepreneur

The qualities of entrepreneurs who succeed[1] have often been analysed. The studies highlight:

- characteristics such as flexibility, an urge for action, a capacity to influence others to obtain what one needs, determination, toughness, a sense of organization, etc.;

- certain types of motivation; it has been shown that the stronger these are, the greater the chances that the project will succeed. Among these, the need for achievement is frequently found among entrepreneurs, innovators and leaders.

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[1] The criteria used to define "success" most often concern profitability and number of employees.

CHAPTER II

AID PROGRAMMES FOR BUSINESS CREATION

1. The various aid systems

The different types of instruments and structures providing aid for entrepreneurs can be classified in terms of the needs catered for.

NEEDS	STRUCTURES OR INSTRUMENTS
INFORMATION	Traditional sources, i.e. Chambers of Commerce and Industry, Chambers of Trade, etc. Boutiques de Gestion (see Chapter III) ANPE (see Chapter III).
TRAINING	Boutiques de Gestion* Chambers of Commerce and Industry* ANPE* Certain vocational training bodies* Certain specialized institutes of higher education* Certain "pépinières d'entreprises"* (business incubators)

* Details of the related programmes are given in Chapter III.

NEEDS	STRUCTURES OR INSTRUMENTS
CAPITAL Grants, subsidies, guarantee fund, etc.	Government and local authorities The ACCRE programme (see p. 25), for unemployed workers wishing to set up their own business. Applications are processed by the Directorates-General for Labour and Employment. PRCE and PRE (Prime régionale à la création d'entreprise - Regional grant for new businesses - and Prime régionale à l'emploi - Regional employment grant*). These grants have been abolished in many regions. Guarantee funds. In the majority of regions, these funds cover 50% of the loans needed by the enterprise, generally up to a limit of FF 1 million. The FDIJ (Fonds Départemental pour l"Initiative des Jeunes - Local authority grants for projects by young people). Reserved for 18-25 year olds. Amount: FF 10-100 000. (*this grant is linked to the number of jobs created by the project).
Seed money	Private structures Competitions, foundations, etc.
Venture capital	"Plates-formes de l'initiative" Investment clubs, etc. Institutions providing risk capital.

NEEDS	STRUCTURES OR INSTRUMENTS
ACCESS TO ADVISORY SERVICES	The "chèque-conseil" (see below), reserved for unemployed workers wishing to set up their own business. The FRAC (Fonds régionaux d'Aide au conseil). These Funds, which finance the cost of studies and advisory services up to a maximum of 50-80% are in principle reserved for SMEs and SMIs; however, certain regions have extended their coverage to entrepreneurs setting up businesses.
ACCESS TO MARKETS	Chambers of Commerce, Industry, Trades and the like Various bodies, for example, "Exchanges" for sub-contracting, business opportunities, etc.
ACCESS TO TECHNOLOGIES AND AID TO INNOVATION	Innovation centres The ANVAR,* which finances up to 50% of the cost of developing products involving new processes.

2. Specific programmes for unemployed workers wishing to set up in business

2.1 Access to advisory services

In February 1989, the "chéquier-conseil" was introduced for unemployed entrepreneurs.

Objectives

The "chéquier-conseil", introduced by the Government in the context of a plan presented on 14 September 1988, is designed to encourage unemployed entrepreneurs, who do not always possess the multi-disciplinary skills needed for the development of their enterprise, to seek advice. For 1989, FF 100 million were allocated to this measure by the Ministry of Labour, Employment and Vocational Training.

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* Agence Nationale pour la Valorisation de la Recherche - National agency for the exploitation of research.

Beneficiaries and definitions

From 3 February 1989, beneficiaries under the ACCRE scheme (Aid to unemployed entrepreneurs wishing to set up a new business or take over an existing one) or an FDIJ are also entitled to benefit under the "chèque-conseil" scheme, which is aimed exclusively at providing support for new businesses during their first year of existence. The services provided by the advisory bodies may concern the following:

- an analysis of the situation of the entrepreneur and his businesses during its first months of activity;

- preparation and utilization of a progress monitoring system;

- providing answers to technical problems of a commercial, legal, social, fiscal or financial nature;

- rectifying a difficult situation, enabling the entrepreneur to regain control. However, activities relating wholly or partly to routine management operations (i.e., accounting, payroll processing, the development of management software, etc.) are excluded.

Under this scheme, the cost of the advisory services is fixed at FF 400 per hour, three-quarters of which is financed by the Government up to a maximum of 15 hours.

The "chéquier-conseil" can only be used to obtain advisory services from a body approved by the Directorate of Labour and Employment of the département issuing the "chéquier". It is valid for one year from the date on which the applicant is informed that he is a beneficiary under the ACCRE or FDIJ; it may be applied for at any time within this period.

Information about the scheme: other details

Information about the "chéquier-conseil" scheme is provided at various stages:

- General information, in the form of notices and folders, is available in the offices of the business promotion services at the Préfectures (Local Government Offices), the DDTEs (Département Directorates of Labour and Employment) and certain Chambers of Trade, Industry, etc.

- Beneficiaries under the ACCRE or FDIJ schemes receive personalized information. On notification that one of these aids has been accorded, the DDTE sends beneficiaries a guide describing the "chéquier-conseil" scheme together with a list of approved bodies in the département concerned, inviting them to apply for the "chéquier-conseil" in writing if they so wish. Applications must be accompanied by an estimate obtained from one of the approved bodies, specifying the nature of the services to be provided, and their duration and cost.

If the beneficiary decides, after consulting an advisory body, to abandon his project, or if he ceases activity during the month following the establishment of his business, he does not have to repay the amount of the cheques used for this purpose but must return any unused cheques to the DDTE.

2.2 Financial aids

The ACCRE programme: Aide aux Chômeurs Créateurs ou Repreneurs d'Entreprises (Aid for unemployed entrepreneurs wishing to set up their own business or take over an existing one).
(Drawn from a report for the OECD by Paul S. Barker).

Background

In 1979, the Ministry of Labour secured the adoption of an experimental law enabling workers who lost their jobs to capitalize their employment benefit in order to build up a capital sum with which a new business could be launched. After an experimental phase, a national programme entitled "Chômeurs créateurs" (Unemployed entrepreneurs) was introduced in 1980. Until 1984 the necessary financial resources were provided by the UNEDIC, a national body responsible for the administration of the unemployment insurance system. Since 1 April 1984, however, the programme has been financed from the Central Government budget. In 1988, 55 868 persons benefited under the programme.

Conditions for eligibility and other details

The programme is open to unemployed workers drawing benefit or entitled thereto. It has recently been amended to include social assistance beneficiaries. A grant of from FF 10 750 to FF 43 000 is paid depending on the applicant's employment record and the length of time for which he has been registered with the ANPE (National Employment Agency). The grant may be increased if additional jobs are created. In the event that the business fails within 341 days, beneficiaries under the programme must repay the grant; however, this provision is not generally enforced.

In addition to receiving grants, beneficiaries under this programme are exempt from contributions relating to sickness insurance, pensions, family allowances and accident insurance. They are not exempt from unemployment insurance contributions, although many fail to pay the latter. While the programme does not include the provision of advice on business management, a certain number of advice and training programmes in this field are available, financed from public funds.

Entrepreneurs wishing to take over an existing business - whether threatened with closure or otherwise - can also benefit under this scheme. Where a business is taken over, one of the following two conditions must be fulfilled:

1. the applicant must hold more than half the capital of the enterprise, either on his own or in conjunction with others; or
2. the applicant must hold at least one third of the capital and must act as head of the businesses.

These conditions also apply to those setting up a new business from scratch.

The proposed enterprise must not be an association or groupement d'intérêt économique (joint venture or consortium) in which several firms have a joint interest. The same applicant may not benefit a second time under the scheme until three years have elapsed.

The scheme is intended to grant the maxiumum amount of aid to persons threatened with unemployment who decide very quickly to set up a business and those who have worked no more than half-time during the two years preceding redundancy, and to grant aid on a somewhat smaller scale to the longer-term unemployed.

Implementation

The programme is administered and monitored by the département Directorates of Labour. Applicants must henceforth complete a questionnaire giving details of the proposed activities: it has been estimated that this form of screening leads to the rejection of 15-20% of the applications.

Summary of results

In 1984, the programme aided the creation of 29 091 new businesses, or 13% of the total number set up in France during that year. In 1985, the figure had risen to 57 610 or 24% of the total; in 1988, however, the figure was somewhat lower, at 50 035.

Characteristics of participants

Sex: In 1987, 78% of beneficiaries were men and 22% were women, against 83% and 17% respectively in 1981.

Age: In 1987, 83% of beneficiaries were aged from 25 to 49; this percentage was about the same in 1985.

Qualifications: A detailed study carried out in 1981 showed that two-thirds of the beneficiaries were holders of a technician's certificate. Up to 1984, skilled workers and supervisory staff constituted the largest group of beneficiaries, followed by white collar employees. In 1984 the programme was amended, with the result that the number of unskilled workers rose and that of skilled workers declined. In 1987, 37% of participants were skilled workers, 30% were white collar employees, 14% were middle management staff, 13% were technicians and supervisory staff and 6% were unskilled workers.

Financing

In 1986, 50% of unemployed workers setting up their own business received capital grants of less than FF 20 000. The majority of beneficiaries under the progrmame contributed their own funds to the launching of the business in addition to the grant. Almost a quarter of the participants re-invested their separation payment, while less than one-third obtained a bank loan. In 1981, almost half the participants launched their business with a capital of less than FF 40 000; the corresponding figure for 1983 and 1984 was under FF 50 000.

Survival rate

One year after their launching, about 85% of the businesses are still in operation; however, this figure dropped to 75% at the end of the second year. Survival rates vary according to the following factors:

1. the field of activity. The highest survival rates after one year are to be found in the building and public works sector, followed by the industrial sector (the highest failure rate occurs in the commercial sector);

2. the scale of the enterprise. Businesses without employees have the highest failure rate, while those with between 10 and 20 employees have the lowest;

3. the entrepreneur's age and qualifications. The under-25s, and those lacking technical qualifications, have the highest failure rate, while two-fifths of the survivors are aged from 25 to 34.

2.3 Access to training

Given the proliferation of public and private training bodies in the business development market, the majority of potential entrepreneurs should have little difficulty in obtaining suitable training in the launching and management of their projected business.

For example, an entrepreneur living in the Nord/Pas-de-Calais region need travel no more than 30 km to find a body able to provide advice and training. Access to training for unemployed entrepreneurs has been further facilitated by the introduction of training periods in business creation which are provided free of charge; trainees are remunerated.

Duration of training periods
- 400 hours.

Content

- Analysis of the entrepreneur's advantages and handicaps in setting up a business.

- Study of the project from the commercial viewpoint (market research methodology and marketing policies: defining the product or service, pricing, clientele, communications policy).

- Choice of legal structure and its fiscal and social consequences.

- Training in financial management: balance sheet, profit and loss account, cash-flow forecast, financial planning, problem identification, etc.

- Theoretical studies and practical exercises.

- Relations with financial institutions etc. and influence of other economic factors (URSSAF;[*] banks; competition and prices; insurance; taxation, etc.).

- Application to project of knowledge acquired.

- Presentation of project to a panel of experts.

Cost

Free of charge, except for a small contribution to the expenses involved, which varies from one training body to another.

Financing

The scheme is co-financed by the Government and the region in question.

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[*] Union pour le recouvrement des cotisations de la sécurité sociale et des allocations familiales - a body concerned with the collection of social security contributions.

CHAPTER III

THE TRAINING BODIES AND THE COURSES THEY PROVIDE

1. The Chambers of Trade, Commerce and Industry

1.1 The Chambers of Trade

The 104 Chambers of Trade in France are responsible for administering the CFEs (Centres de Formalités des Entreprises - Business Registration Centres) for craft enterprises; they also organize introductory training sessions in business management of a total duration of 40 hours. Attendance at these sessions is obligatory for those seeking inscription in the crafts register.[1]

1.2 The Chambers of Commerce and Industry

These bodies represent businesses in the commercial and industrial sectors. Most of them have a specialized staff to provide advice on setting up in business; they also organize training courses varying in content and duration.

Example: Strasbourg CCI
ACTE 67 programme - long training course (7 months).
Each trainee's progress is followed by a business executive and a CCI course director.
Cost: free of charge for unemployed entrepreneurs.

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[1] Some Chambers of Trade organize longer courses which are not obligatory. Example: the Chamber of Trade, Colmar Section, runs a 250 hour course every year for a maximum of 15 persons.

Financing: by the DDTE (Local Directorate of Labour and Employment); a contribution of FF 2 900 is required from all categories except the unemployed.

Example: Tours CCI
Four different courses are offered:

- "Launching a business": one day, FF 350
- "Introduction to management": 46 hours, FF 850
- "Introduction to management in the catering industry": 52 hours, FF 1 200
- "Marketing in the catering industry": 52 hours, FF 2 000.

2. The "boutiques de gestion" ("management shops")

These boutiques de gestion (there are over 50 in France) constitute one of the largest networks of training and advisory services in this field in the country.

All the boutiques de gestion organize long courses (400 hours), free of charge for unemployed entrepreneurs, on the lines set out in detail in Part II of this report.

They also organize other types of courses, most often in conjunction with other bodies such as the ANPE (National Employment Agency), etc.

The duration, content and so-forth of these courses vary from one region to another.

Examples: Lille
Session d'Orientation Approfondie (Advanced guidance session)
Duration: 50 hours, free of charge for unemployed entrepreneurs
(Financing: ANPE).
Cahors
Gestion des petites entreprises (Management of small businesses)

Introductory course in accountancy. Duration: 8 days.

3. Other bodies

3.1 The activities of the ANPE (National Employment Agency)

The ANPE organizes short sessions (two days) designed to inform participants about - and stimulate their interest in - setting up their own business. Sessions are open to all unemployed persons. They are sometimes subcontracted to specialized bodies, such as the boutiques de gestion (see above).

3.2 The specialized institutions of higher education

Some of these institutions - especially the colleges of business studies - have developed courses in business creation either as an optional subject or in the context of continuing training activities.

Example: The Ecole superieur des sciences commerciales de Toulouse (Toulouse College of Business Studies).
The course, designed to prepare trainees to set up their own business, is given to 15 selected participants; its duration is 770 hours and the cost is FF 6 500. The course is intended for participants with a specific project and job-seekers on retraining leave. In 1988, 75% of participants completing the course set up their own businesses employing 2-10 persons. The most popular sectors are data processing in management, microprocessor production control, CAM and interpretation.

3.3 The vocational training bodies

The AFPA (Association pour la Formation Professionnelle des Adultes - Association for Adult Vocational Training) and the GRETA, which is a continuing training body linked to the national education system, have for long been mainly concerned with the provision of general refresher training or technical training courses.

In the past few years, however, some of these centres have introduced courses in business creation.

Example: The Reims GRETA
Course in setting up a business, for 15 persons.
Duration: 120 hours, spread over the year.
Participants' contribution: FF 900.

CHAPTER IV

THE KEY SUCCESS FACTORS

1. The literature

The literature on the factors contributing to the failure of new businesses is abundant; however, publications describing the success factors are rarer. The latter put forward certain hypotheses which will be summarized below.

Researchers - especially those from the English-speaking world - consider the founders and heads of new businesses as forming part of the category "entrepreneurs". If we accept this definition, it emerges that the entrepreneur possesses certain characteristics, is moved by certain types of motivation and possesses certain skills, all of which are factors contributing to the success of the enterprise.

1.1 The characteristics of entrepreneurs

The Encyclopaedia of Entrepreneurship (Hornaday, 1983) identifies 42 characteristics often attributed to entrepreneurs. Some of these, in particular the following, are often cited in the literature on this subject:

- A propensity to action (Panday, 1979; Shapero, 1982; Welsh, 1984).

- Self esteem, and confidence in one's ability to attain the objectives one has set (Swayne, 1973; Gass, 1979; Daw, 1980).

- An aptitude to manipulate and persuade others (Christie, 1970; Gemmill, 1972; Welch, 1984).

- A capacity to cope with uncertainty, ambiguous situations and vague information (Shapero, 1977; Gass, 1979; Schere, 1982).

- Flexibility, i.e. a capacity to fulfil a variety of roles in the running of the business and at the same time to adapt the latter to its environment.

- Character traits such as determination, perserverance, energy, courage, etc.

1.2 Motivation

The potential entrepreneur is highly motivated. The following types of motivation may be distinguished:

(a) negative; i.e. frustration, leading the subject to quit a job perceived as having no future or giving no satisfaction (Shapero, 1977), combined with the desire to create his own employment;

(b) positive. Two types of motivation are generally cited in this category (Sweeney, 1982; Gaudin, 1983):
  - a desire for independence;
  - the need for self-fulfilment and power over one's own destiny.

The first of these corresponds rather to the profile of a craftsman, and the second to that of an entrepreneur/manager; in many cases, of course, an entrepreneur may be impelled by a combination of motives.

1.3 Capacities and skills

For certain experts (Pryde, 1981; Gass, 1981) the entrepreneur/manager must have four basic skills:

- a capacity to identify market opportunities and develop effective strategies for their exploitation;
- a capacity to identify and muster the necessary resources;
- a capacity effectively to conduct relations with the environment;
- a quality of leadership.

Other researchers (De Carlo, 1980, in particular) lay stress on the last of the capacities listed, i.e., leadership.

All agree that the entrepreneur must possess a variety of skills and be capable of fulfilling various functions (for which experience in a major firm gives no preparation).

Finally, Swayne (1973) distinguishes two categories of entrepreneur: those who know how to delegate and the others. According to this author, the former are in a small minority but are the only ones capable of managing an SME of more than a given size.

To conclude this picture of the successful entrepreneur, it should be added that virtually all researchers agree that the success or failure of a new small business essentially depends on its founder/manager: "there are no bad projects or bad market openings, only bad entrepreneurs".

2. The ESPACE studies[1]

2.1 The failure rates of new businesses

A survey carried out in 1989 and covering 1 157 businesses whose establishment was aided by ESPACE showed that five factors influenced the failure rate to varying degrees.

These factors are:

Training in setting up a business. Such training sharply reduces the failure rate: after three years this rate is only 16.5% for entrepreneurs who followed a course of this type against 28.5% for those who merely sought advice (for comparison the average failure rate for the whole of France is 48%).

Educational level: the higher the educational level, the lower the failure rate. By comparison with the average failure rate:

- those without qualifications have a handicap of 3.5 points

- baccalaureat holders with two years of further education have an advantage of 6.5 points and baccalaureat holders with four years of further education have an advantage of 13 points.

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[1] ESPACE is a federation of associations located in the Nord/Pas-de-Calais and specializing in the provision of aid for business creation.

Job experience in the chosen sector of activity sharply reduces the failure rate, with entrepreneurs having ten years' experience or more showing a performance exceeding the average by 9 points.

The sector of activity chosen also influences the failure rate, the latter being higher in the commercial and service sectors than in industry.

Finally, the entrepreneur's age on setting up business also seems to play a part, the over-50s showing a performance 10 points better than the national average.

2.2 Factors influencing the growth of newly established businesses

In 1989, ESPACE carried out a study designed to identify the principal factors influencing the growth of new businesses.

2.2.1 Methodology of the study

In 1986 the association set up a filing system covering all the businesses created with its help. The files are updated every year by means of a questionnaire survey and telephone interviews. The data obtained also cover the number of persons employed by the businesses.

On the basis of this filing system, innovative businesses and/or those exhibiting sound growth can be identified.

The study was restricted to businesses:

(a) set up from 1980 to 1986: i.e., those which had survived beyond the critical phase (the first two years);

(b) active in the industrial and services to industry sectors or, to a lesser extent, the building trades.

As a result, 27 SMEs were selected, to form a sample of "new businesses enjoying sound growth" on the basis of criteria relating to the rise in their turnover figures and staffing levels and the extent to which they were innovative. At the same time, six other SMEs, identified as being less dynamic, were selected for study for the purposes of comparison.

Semi-directive interviews lasting on average for three hours were held with each of the entrepreneur/managers. The subjects covered included the history of the firm and of its founder, management in each of its principal aspects (financial, commercial, technical, human resources), and the overall management of the firm, soliciting comments on the role of its head and his characteristics. An analysis of the information obtained from heads of businesses regarding their careers prior to setting up their business made it possible to establish a career typology, identify the characteristics of each category and pinpoint some common factors.

2.2.2 The principal results

The 27 successful entrepreneurs in the sample selected had widely differing CVs. Their previous careers may, however, be divided into three principal groups, as follows:

- The "voluntary" entrepreneur, with long work experience. Beginning early at the bottom of the ladder, in about 15 years and following various promotions his career has led to a dead-end situation in a PME. He goes into action at about the age of 36 (10 entrepreneurs belonged to this group).

- The "involuntary" entrepreneur, with long work experience. He, also, has had a long career with several promotions; at about the age of 45 he then finds himself obliged to set up his own business to survive and obtain some control over his own future (5 entrepreneurs belonged to this group).

- The young entrepreneur. From the end of adolescence he is strongly motivated to set up his own business, and does so within the first five years of his occupational life, at about the age of 24 (6 entrepreneurs were in this group).

- There remained 6 entrepreneurs who had followed a variety of careers impossible to classify in one of the former groups.

Principal characteristics of each group

The "voluntary" and "involuntary" entrepreneurs, with a total of 15 cases, accounted for more than half of the sample. They differed in the following respects:

- age on setting up in business, the second group being averagely nine years older; in this category, entrepreneurs went into business only when obliged to do so to safeguard their future;

- the second group spent essentially their entire career in the same firm, while entrepreneurs in the first group changed their employers several times;

- the predominant motivation in the second group concerned their employment, while social advancement and independence were of greater concern in the first.

These differences seem minor when compared with the characteristics the two groups had in common:

- moderate educational level: no-one in the sample held qualifications beyond the BTS (Advanced Technicians Certificate) or DEUG (Diploma of Basic University Studies) level, while 11 out of 15 held only the Baccalaureat;

- 80% of the sample had invested heavily - or very heavily - in continuing training;

- their careers were distinguished, starting early as workers or employees and rising through the ranks to reach a managerial position, usually in an SME; some changed their employers once or more in the course of their careers;

- 80% had a sound experience of the sector of activity in which they set up business; nevertheless, in three cases entrepreneurs were successful without such experience (Sirem, MSF, CEE);

- strong motivation, in which several factors were combined, especially in the first group:

  - "push" factors, such as frustration, the desire for advancement and the wish to "get your own back" (70% of the first group!), or the desire to create one's own employment and be master of one's own career;

  - "pull" factors, e.g., the attraction of independence, the desire to seize an opportunity and the need for self-fulfillment;

- the obstacles encountered were the same: "money" was cited by 60% of those interviewed, and the difficulty of finding premises by 20%.

The six "young entrepreneurs" had common characteristics which differed appreciably from those of their elders:

- they had preceded these latter by 12 to 21 years (almost a generation) in the age at which they set up business;

- their educational level was appreciably higher, although they did not neglect opportunities for continuing training;

- their motivation was exclusively "positive": the desire for independence, the search for self-fulfillment, an absorbing interest in a trade;

- half of those interviewed stated that they had never met any obstacle whatever.

In the miscellaneous sub-group, the two cases of women who set up business because they wanted to return to work after raising their children are interesting since they are probably representative of other similar situations.

Other common characteristics

The heads of firms interviewed gave certain supplementary information regarding their careers and the progress of their projects. The following is a summary based on four separate points.

Social activities. Many of those interviewed stated that they had been closely involved in associations, clubs and the like, and had exercised responsibilities in this area.

Women. It emerged that women had played a determining or significant role in almost 40% of cases:

- determining in the case of the only woman entrepreneur acting on her own and for five couples in which the wife acted as manager while the husband was responsible for technical matters and production;

- significant in the four cases (there may have been others which were not referred to in the interviews) in which the head of the firm spontaneously stressed the role played by his wife.

Team work. In general, the entrepreneurs did not give the impression of being "loners". They frequently referred to their "associates" or "partners", and to the "networks" they had built up.

Timescale. The establishment of a business took from six to twelve months from the time of making a decision to the actual start-up of the project, according to those who referred to this subject.

Salient characteristics of the successful entrepreneur

Based on the results of the study, the following is a summary of the characteristics possessed by the successful entrepreneur:

1. Specific characteristics, including:
   - determination, force of character, etc.;
   - rationality, toughness, a sense of organization;
   - motivation and ambition.

2. A capacity to:
   - convince, communicate, sell;
   - fit in, be constantly available, listen, know when to trust and delegate, be a team leader;
   - rethink one's ideas and, if necessary, adapt.

3. The successful entrepreneur personifies his own business, in which he fulfils the following roles:
   - he organizes, delegates, coordinates and controls;
   - he acts as an interface between his business and its environment;
   - he prepares for the future;
   - with this in view he takes a hand in various managerial functions (commercial, financial, technical, buying, etc.), the first of these being the most often cited. In addition, he is responsible for the overall strategic management of the enterprise.

4. An assiduous worker, the founder/manager is often ambitious and has a long-term project in mind. Difficulties of recruitment, lack of financial resources and sometimes the fear of risks such as bad debts may curb his development.

Conclusions

In France today, more than half of all wage and salary earners work in firms employing less than 50 persons, and this proportion has been rising steadily for the past 15 years.

One result of this phenomenon is that today, the majority of new jobs are created by small establishments; the impact of newly created small businesses is far from negligible in this area since they account for about one-third of the overall increase.

This performance could be improved still further if the failure rate among young businesses was less high: the vulnerability of newly-established businesses is such that they account for about half the total number of closures and, with one in two failing to survive for more than five years, this probably means that around 150 000 jobs are being lost every year from this cause. These failures could often be avoided if the entrepreneur concerned had been properly trained in management.

Studies have shown that training in business management covering every aspect of a firm's operations (i.e., not confined to the technical aspects of financial management and accountancy, but also dealing with areas such as merchandising and commercial strategy, human resource management, labour law, etc.) doubles the life expectancy of new businesses.

However, these training programmes are not only of value for their content; since they provide a forum for contact with bankers, accountants, tax specialists, lawyers, etc., with all of whom the prospective enterprise will have to deal, they help to familiarize the entrepreneur with his future daily environment.

Alerting potential entrepreneurs to the importance of proper training in the management of their future business, promoting the establishment of new support structures and facilitating access by entrepreneurs to training programmes surely constitute vital components of European employment policy.

SMALL BUSINESS START UP AND VOCATIONAL TRAINING IN THE UNITED KINGDOM: An Overview

Report prepared for CEDEFOP

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0 - INTRODUCTION

For the past 11 years, the UK has had a Government committed to the development of an "enterprise culture". The development of small business has therefore received special attention over this period, with many new support agencies and policy initiatives being introduced to encourage this development. In fact, the UK has probably introduced more initiatives which effect business start up and training than any other EC member state - although the effectiveness of these instruments can be variable.

Training for entrepreneurial development and small businesses has played a significant part in the UK Government's policy approach to economic development, and all of the policy initiatives described in this paper were introduced during the last decade. In particular, emphasis has been given to developing entrepreneurial skills in those people either just entering the labour market from education, or re-entering the labour market from unemployment. A substantial network of "enterprise agencies", locally based initiatives to encourage small business start up, has also been established, to provide the local interface for the delivery of both national schemes, and locally developed activities.

Perhaps the most significant development in the field of enterprise and training in the UK is the establishment of the new "Training and Enterprise Councils" (TECs) and "Local Enterprise Companies" (LECs) in England, Wales and Scotland. These new, publicly financed but private sector led, companies will be established over 1990/91, and will take control of the provision of vocational training at local level, with particular responsibility for developing enterprise. Once fully established, it is intended that TECs and LECs should play a major role in developing training initiatives which meet local labour market needs.

The 1990s therefore mark a new stage in support for business start up and development in the UK, building on a political consensus in the 1980s which identified the growth of the small business sector as a positive step. This is a dramatic shift from the position in the 1970s, when a major Government report (Bolton 1971) projected a long term decline for the small firm.

Building on the last decade's experience, there is now some doubt as to whether so many resources should be given to small firm start up, rather than encouraging the development of SMEs with growth potential. A recent report (Curran & Blackburn 1990) has suggested that the small firm sector is entering into a more hostile environment, and that the effect of Government aid schemes has been marginal. Recent cuts in the training and business support budget in the UK may be symptomatic of this view.

It is, however, beyond doubt that there has been a significant growth in self employment and small business development over the past few years. With 12% of the UK workforce now self employed and serviced by a range of agencies and initiatives, the small firms sector will remain economically significant for some time to come.

Chapter 1 - New Enterprise Creation in the UK

1.1 Since small firms do not necessarily have to register themselves in the UK, statistics on small businesses and start-ups have to rely on a number of disparate sources. Recent work, however (Bannock 1989) has brought together these sources to provide a reasonably accurate picture of the current position of small businesses in the UK. What should be recognised is that some of the main figures used for the identification of small businesses, notably VAT registration, tend to exclude the micro firm, accounting for around 50% of new businesses, with a turnover of less than £25,300 per year.

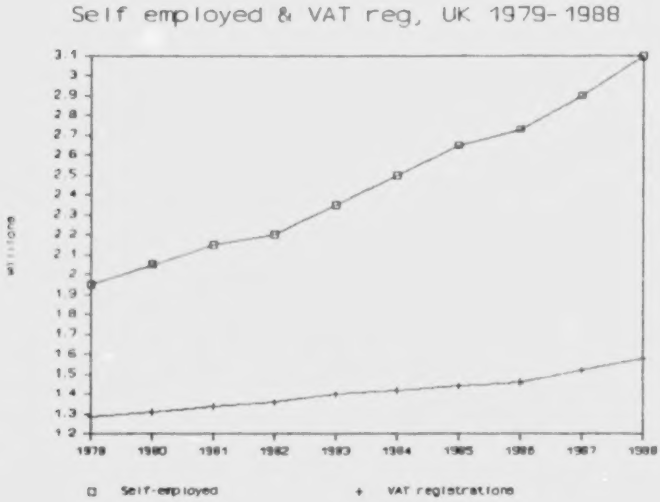
1.2 New Enterprise Creation Since 1980:

Influenced by changing economic conditions, most notably the impact of mass unemployment in the early 1980s and changing employment practices, both self employment and VAT registered businesses have significantly increased over the last 10 years.

Self employment now accounts for around 12% of the total UK workforce in employment, representing around 3.1 million individuals (Hakim 1989a), a growth of over 1 million since 1979. Given the relatively large numbers who move out of self employment every year, the "new recruits" will represent substantially more than the average annual rise of 136,000 would suggest. During

1986/7, 440,000 people entered self employment. Recent work by the National Westminster Bank suggests that around half a million new businesses will start in 1990, but 160,000 of those will have failed by 1993.

The growth in self employment and VAT registration over the 1980s is shown in the graph below:



(Source: ED 1990)

1.3 Sectoral Breakdown: The sectoral breakdown for small firms (with turnovers under £100,000 per year) in 1988 was as follows (overleaf)

Turnover (£000)	Construction (000)	%	Manufacturing (000)	%	Services* (000)	%	Agriculture Forestry & Fisheries (000)	%
22 - 50	98	45	37	25	336	37	43	37
51 - 100	44	20	26	18	220	21	34	29

* Services: of which

	Retail & Wholesale		Transport		Other Services	
22 - 50	113	25	28	43	195	44
51 - 100	105	21	13	20	102	23

(Source: unpublished report December 1989 Peat Marwick McLintock)

1.4 Enterprise Status: Since there is no obligation for business start ups to register, and no specific legal status for a self employed person under UK law, it is difficult to properly differentiate the legal status of new firms. An approximate breakdown for 1986, not including part time unincorporated businesses, inactive and subsidiary companies, is given below:

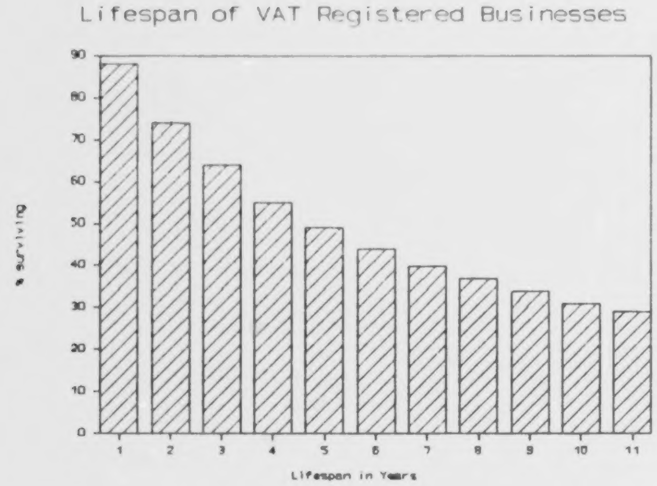
Legal Status	**VAT Registered**	**Unregistered**	**Total**
Sole Proprietors	603	748	1351
Partnerships	398	235	633
Incorporated	459	-	459
Other	28	-	28
TOTALS	1488	983	2471

(All figures in thousands)
(Source: Bannock (1989) p24)

The cooperative sector in the UK is extremely small, representing only around 1200 firms employing 8,500 people in 1986 (Cornforth et al 1988).

1.5 Development of New Businesses and Impact on Employment: The small business sector is, of course, highly volatile, with the net increase of 285,000 in the number of VAT registrations representing the difference between 1.65 million new registrations, and 1.365 de-registrations. Less than half of all firms which register for VAT are still registered after five years.

The lifespan of VAT registered businesses over an 11 year period is shown below:



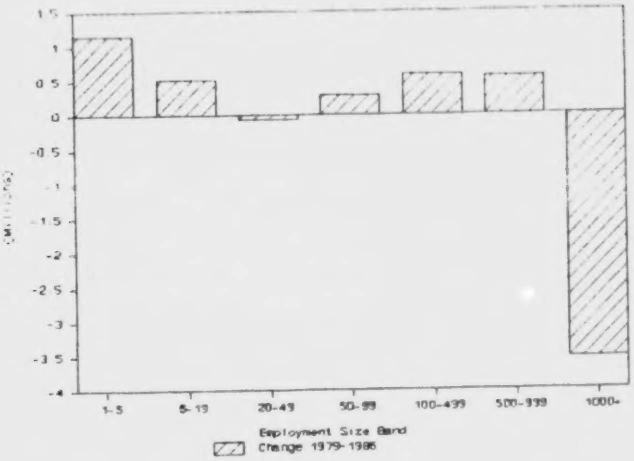
(Source: ED 1990)

Studies suggest 40% of small firms cease trading within 3 years (Storey et al 1989), and business survival rates tend to stabilise at around 40-45% of businesses carrying on for 10 years or more (Cornforth et al 1988).

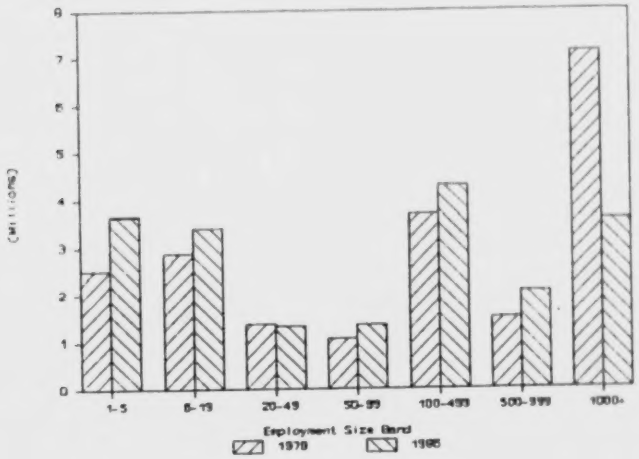
There is debate about the extent to which small firms are net generators of jobs. Some research has suggested that while the small firms sector makes a positive contribution to job numbers, this is due to new births and expansions in the very smallest businesses (Doyle & Gallacher 1987), whereas Storey et al (1987) have suggested that employment growth is concentrated in very few firms, with 4% creating 33% of new employment. A study of 200 firms established between 1983 and 1987 in the West Lothian district of Scotland (Turok 1989) found that 22 of the firms generated nearly 50% of the new jobs.

A recent study for the Department of Employment, yet to be published (Gallagher), suggests that the smallest firms are the largest net contributor to employment growth, and goes so far as to estimate that job gains in new and small firms offset job losses in larger firms. The period covered, however, (1985-1987) excludes the period of greatest job losses in the early 1980s. Figures available for the period 1979-1986 (Bannock 1989) show that while self employment and smaller businesses showed a significant growth in employment levels over this period, it did not wholly compensate for the substantial job losses in larger firms.
The graphs below and on the next page show the shifts in employment levels over the period 1979 - 80, and the comparative global figures for both of those years.

Change in Employment 1979-1986



Change in Employment 1979-1986



Source: (Bannock 1989)

Firms employing fewer than 20 people account for 36% of total employment in the UK (Bannock 1990). However, only 10% of small firms seek rapid expansion, with over 50% having no plans for growth (Hakim 1989a).

1.6 Background of Entrepreneurs: Studies of growth businesses (Storey et al 1987) indicate that successful entrepreneurs are predominantly male; aged between 35-45 at the start of their business; have pre-degree qualifications (eg "A" levels, OND or HND); and had been working as a manager in a small or medium enterprise in the same sector. This generalised picture is borne out by a review of the initial participants in the Enterprise Allowance Scheme for unemployed people (Gough 1986).

Despite the growing importance of women in the labour market, they still form a minority of the self employed, representing 7% of women in employment, as opposed to a figure of 16% for men (ED 1990) However, womens' self employment is growing at a greater rate than mens'.

Proportionately, minority ethnic groups are more likely to be self employed, with up to 22% of those from Pakistani/Bangladeshi origin in employment being self employed. This is likely to be both a reflection of cultural traditions, and barriers which exist in the employment labour market. People of West Indian/Guyanese origin are, however, much less likely to be self employed (ED 1990)

While young people are the focus for a number of public and private sector initiatives, and it is likely that the numbers of young people in business is growing, the evidence cited above suggests that young peoples' businesses are less likely to be successful. The main factors for this are usually lack of work experience and limited access to capital (McCreadie 1985).

Chapter 2 - Review of Aid Programmes for Start-Up Businesses

2.1 Policy Context: In order to understand the variety of support programmes available for small business development and training in the UK, it is necessary to review the new framework for vocational training provision and business support currently being implemented.

Throughout England and Wales, a network of 80 private sector led companies is taking responsibility for the administration of training and enterprise development schemes currently administered by the Central Government Employment Department's Training Agency. These "Training and Enterprise Councils" (TECs), modelled on the United States' Private Industry Councils, have the responsibility for implementing existing national schemes at a local level, as well as being expected to develop a clear vision beyond existing programmes. The TECs have a majority of private sector business people on their boards, and are constituted under UK company law. While they will take over most of the work previously undertaken by Training Agency Area Offices, they will not replace the work of national and regional agencies, such as the Welsh Development Agency, the Development Board for Rural Wales, and the Rural Development Commission in England. It is intended that the TECs will work closely with local employers, and release more private sector funding into training and enterprise development. They will receive limited development budgets to assist in the development of new schemes to meet the needs of their local labour markets.

In Scotland, two new organisations, "Scottish Enterprise" and "Highlands and Islands Enterprise" will supervise a network of 20 "Local Enterprise Companies" (LECs), similar in structure to the TECs, who will administer former Training Agency schemes, as well as being responsible for the business development functions of the former Scottish Development Agency (SDA) and Highlands and Islands Development Board (HIDB). The LECs have wider responsibilities than the TECs, including business finance and environmental powers, and responsibility for social projects in the Highlands and Islands.

In line with the UK Government's political commitment to market forces, TECs and LECs have to bid for a contract to carry out their functions from Government. TECs will have an annual budget of between £15-50 million depending on the area covered, and the Scottish Agencies will have the combined budget of the Training Agency (£330 million), SDA (£147 million) and HIDB (£43 million), with the largest LEC, the Glasgow Development Agency, having a budget of around £80 million. Most of these budgets are, however, committed to existing national schemes, including Youth Training, Employment Training, Business Growth Training, and the Enterprise Allowance Scheme.

The first TECs have been established, and it is planned that the new system will be in place by 1991/2. The areas covered by TECs and LECs are reproduced in Appendix 3.

The situation in the North of Ireland is substantially different from the rest of the UK, in part due to the political problems in that region. A new Central Government organisation, the Training and Employment Agency, has been set up to oversee the delivery of training and enterprise schemes in the area, which works through a network of local offices, complementing the work of the business support unit, the Local Enterprise Development Unit (LEDU). The financial aid structure is also organised slightly differently from the rest of the UK, with specific aid programmes developed for the region.

Apart from these national and regional bodies, perhaps the most significant grouping for business start up support is the network of over 300 Local Enterprise Agencies (LEAs), which provide business advice and training, including the delivery of many of the central Government training schemes. The impetus for the establishment of these bodies came mainly from the private sector, organised nationally in Business in the Community (BIC) and Scottish Business in the Community (ScotBIC). LEAs are the main providers of support and training to start up businesses, and are the usual first line of contact for new start entrepreneurs seeking help. Some, such as Project North East in Newcastle, specialise in support for Youth Enterprise, and specialist financial support for young people in business is available through the Prince's Youth

Business Trust. Others, such as 3Bs (Black Business in Birmingham) specialise in support for minority ethnic communities (Appendix 2, Case study 1) Although LEAs are nominally private sector bodies, they receive substantial public support.

There are also networks of agencies, generally sponsored by local government, to encourage the development of workers' co-operatives and community controlled businesses, although both of these forms of activity remain economically marginal in the UK.

Local Government, as well as playing a significant role in funding the Enterprise Agencies, also provides services, premises and finance to business through its own economic development units business development units and associated development companies. Most local authorities in Britain pursue business development activities to a greater or lesser extent.

In the mid 1980s, there was a trend for larger local authorities to establish separate enterprise companies to encourage business development. A number of these agencies, such as Lancashire Enterprises Ltd, continue to survive, but central government has progressively put restrictions on the activities of these quasi public sector bodies, and the remaining agencies have had to seek additional private sector involvement.

Additional support in areas affected by the decline in the steel and coal areas is provided by the two reconversion agencies, British Coal Enterprises Ltd and British Steel (Industry), who provide direct aid for displaced employees, and for businesses in coal and steel areas. Some of this support is channeled through the local enterprise trusts.

With such a range of agencies, the direct role of private sector organisations is more limited. In some areas, the voluntary Chambers of Commerce play a limited role in business training and support. The national employers' federation, the Confederation of British Industry, can also provide some advice through its regional offices.

Broadly, the types of business support provided by the main agencies is as follows:

	Training	Grants	Loans	Advice	Premises
GOVERNMENT					
Employment Dept:					
Training Agency	x	x			
Small Firms Service				x	
Dept of Trade & Industry		x		x	
Dept of Education & Science	x	x			
REGIONAL/NATIONAL					
Scottish Enterprise/SDA	x	x	x	x	x
Highlands & Islands Enterprise/HIDB	x	x	x	x	x
Welsh Development Agency	x	x	x	x	x
Development Board for Rural Wales	x	x	x	x	x
Rural Development Commission (England)	x	x	x	x	x
Local Enterprise Development Unit (N.Ireland)	x	x	x	x	x
Training and Employment Agency (N.Ireland)	x	x		x	
Local Government	x	x	x	x	x
PRIVATE SECTOR LED					
Local Enterprise Agencies/Trusts	x			x	x
Training & Enterprise Councils - England & Wales	x	x		x	
Local Enterprise Companies - Scotland	x	x		x	x
Reconversion Agencies	x	x	x	x	x
Business in the Community/ScotBIC				x	
Confederation of British Industry				x	
Chambers of Commerce				x	
Prince's Youth Business Trust		x	x		

2.1 Support Programmes: There are around 100 separate support programmes for adult training in Britain (Manson-Smith 1988). A computerised database of employment and training grants prepared by The Planning Exchange identifies 264 separate financial aids currently available (Thomson 1990). These figures exclude the many local schemes, and the fact that the delivery of many of the training schemes can vary in form from area to area, a tendency which will be come even more pronounced with the full establishment of TECs and LECs.

A significant number of these schemes are designed to aid business start-up and development, and fuller details of the main national schemes described below are reproduced in Appendix 1.

2.3 Advice and Training Support: National provision of small business advice is provided through the Employment Department's Small Firms Service, primarily through a telephone enquiry service. As has already been noted, the main mechanism for the provision of direct advice for start up businesses is through the Enterprise Agency network. All enterprise agencies have full time business advisers, either directly employed by the agency or seconded from a larger private sector firm, who assist would be entrepreneurs to develop their business idea, identify training, write their business plan, and put together a funding package. Enterprise agencies receive tax relief under s.48(4) of the Finance Act 1982, and can aquire grant aid through central government, and other support from a variety of agencies. For example, in 1987/8 the 41 Enterprise Trusts in Scotland had a total budget of £4.7 million, with 38% coming from the private sector, mainly through staff secondment, 20% from the Scottish Development Agency, 25% from the European Commission, and the remaining 17% from local authorities (SDA 1989). An example of the work of an Enterprise Agency in Wales, Methyr-Aberdare Development Enterprise, is included in Appendix 2 (Case study 4).

Government assisted training for small businesses has been promoted since 1989 as **Business Growth Training** (BGT), which provides a combination of open learning and direct training packages targeted for small business needs, including courses for individuals who wish to examine the option of self employment. BGT is marketed as five "options", each aimed for different sizes of business and different needs. BGT is administered through the Training Agency, but will be transferred to TECs and LECs, once established.

Option 1 is described as "Kits for Better Business and Training Plans", and has separate packages aimed at new businesses, owner managers, and businesses with a formal management structure. It consists of self learning packs which are provided free of charge, with some backup from training agents, often the local enterprise agency. The support and counselling is subject to a charge.

Option 2, "Better Business Skills for Owner Managers", provides part time training or open learning in business start up skills for individuals who are not eligible for Employment Training (see below). No charge is made during the first year of trading, and training support is again made available through local agents, often enterprise agencies or local further education colleges.

Option 3, "Using Consultants to Manage Change", makes a grant available to cover part of the costs to pay for a consultant to assist team managed businesses to develop a long term training strategy and improve business performance.

Option 4, "Tackling Skill Needs Jointly with Local Employers", is a grant available to groups of employers to help fund a short feasibility study or full scale study to develop an industrial or area training strategy.

Option 5, "Backing to Implement Innovative Training Solutions" provides support for projects which link innovative training approaches with business improvement objectives.

Apart from these main, national, schemes, specific training initiatives for business training have been developed using other sources of funds, notably area funding by organisations such as Inner City Task Forces, and also the European Social Fund. These schemes tend to be localised, and geared for specific needs and sectors, such as the work undertaken by the Portobello Business

Trust (Appendix 2, case study 5).

2.4 Financial Support: Finance for business development from central Government is available through the **Loan Guarantee Scheme**, through which the Government guarantees commercial loans for a premium, and the **Business Expansion Scheme** which provides tax relief for investors in small businesses. Full details of both schemes are in Appendix 1.

Again, at a local level, there is a wide range of investment and guarantee schemes, including those established by local government, reconversion companies,and national bodies such as the Prince's Youth Business Trust (Appendix 2, case study 6). The Enterprise Loan Fund in Manchester, which provides loans of up to £25,000 for businesses employing under 25 people, is an example of such a scheme. The Fund, developed by British Coal Enterprises and the Government-sponsored City Action Team, lends up to 50% of costs for start-up, expansion and re-location at a fixed rate of interest on decreasing balances.

Private sector banks market some of their products directly at the small business sector, with most large banks, such as Barclays or National Westminster, having a specialised small firms department.

2.5 There is no UK wide scheme for logistical support for start-up businesses, although many local initiatives exist, usually funded with European Regional Development Fund, local government, and Urban Programme, often through the provision of workspace developments. English Estates, a Government sponsored property development body, provides some support to its small firm tenants through its Business Support Service in the North of England (Segal Quince Wickstead 1988). A number of local agencies, such as CENTEC in Liverpool (Appendix 2, Case study 2) provide managed workspace for their clients, as does the reconversion company for steel areas, British Steel (Industry) Ltd.

There are a small number of business incubators for growth firms, such as the Strathclyde University Incubator in Glasgow, funded by the University, the SDA, and the private sector Gresham Trust investment trust and TSB Bank, which provides 20,000 square feet of accommodation in units as small as 100 sq.ft. Tenants of the incubator receive help with business planning and receive management support. This type of provision can prove attractive for small service sector firms.

2.6 Technological and Marketing Support: The Department of Trade and Industry's **Enterprise Initiative** is the main nationally available scheme for technical support for existing businesses. The scheme consists of partial grant funding to subsidise consultancy to small and medium enterprises (SMEs). The Enterprise Initiative has seven parts to meet separate needs, and delivery of support is normally contracted out to specialist organisations.

The separate parts of the Initiative are:

The Business Planning Initiative, administered through 3i Enterprise Support, an arm of the major UK venture capital company. The aim of the scheme is to provide support to enable SMEs to define strategic corporate objectives;

The Design Initiative, administered by the Government-sponsored Design Council, subsidises design consultancy;

The Financial and Information Services Initiative, also handled by 3i Enterprise Support, to provide advice on existing systems, or to develop new ones;

The Marketing Initiative, run by the Chartered Institute of Marketing, to support the development of a marketing plan and strategy;

The Manufacturing Systems Initiative, supported by the Production Engineering Research Association (PERA), to provide expert advice on new production methods, and;

The Quality Initiative, also run by PERA, to introduce quality management systems.

An additional part of the scheme, the **Research and Technology Initiative**, subsidises collaborative research projects. Full details of all of the schemes are reproduced in Appendix 1.

Although the Enterprise Initiative is designed to assist the development of existing SMEs, it can also be used for new businesses to receive help to develop their strategies. The Department of Trade and Industry provides technical support for companies who wish to export their products.

Technical help for new growth businesses is also provided through the EC sponsored Business Innovation Centres.

2.8 Assistance for the Unemployed: Unemployed people are mainly accommodated by the **Enterprise Allowance Scheme**, and the **Employment Training Enterprise Portfolio**. The aim of the Employment Training (ET) scheme is to bring long term unemployed people back into the labour market, and the Enterprise Portfolio is the specific part of the scheme geared for self employment. As well as providing access to training courses, the scheme also allows for "Enterprise Rehearsal" or, trial trading, so that individuals can start trading without affecting their benefit. "Just for Starters" in Birmingham (Appendix 2, case study 3), is another example of the practical operation of this scheme.

Trainees from the ET scheme, which provides normal unemployment benefits plus a small supplement, can move onto the Enterprise Allowance Scheme (EAS), which is also available to shorter term unemployed. EAS provides an allowance of £40 per week for the first year of trading (unchanged since 1983), and some limited pre start up counselling. Participants need to have access to start up capital of at least £1000. In March 1990, there were 70,669 participants in EAS, and a total of half a million people had taken part since 1983.

2.9 Young People: The national training scheme for 16-19 year olds, **Youth Training** (YT), which provides up to 24 months training on a small training allowance, can also have a youth enterprise component. A new part of YT, **Youth in Business**, is currently being piloted in a number of areas, and is expected to be nationally available in September 1990. Youth in Business relates skills training to enterprise and business development, to enable young entrepreneurs to start trading while still undertaking training and being in receipt of an allowance.

Enterprise Training is also available within the mainstream YT and ET schemes, with the broader aim of encourage the development of an "enterprise culture".

Full details of all of the schemes are available in Appendix 1.

2.10 Youth Enterprise Support: There is a range of support to encourage business development by young people. The main activities, apart from YT, are: Youth Enterprise Centres (YECs), LEAs geared specifically to support young people; The Prince's Youth Business Trust (PYBT) (Appendix 2, case study 6), providing grants and loans for young entrepreneurs; Instant Muscle, a support organisation for young people at the lower end of the achievement spectrum; Graduate Enterprise, a Training Agency scheme to encourage further education graduates into business (further details in Appendix 1); and the Industrial Society's (an independent body made up of employers and employees organisations) "Headstart" programme providing counselling and business training with businesspeople acting as advisors and mentors for young entrepreneurs in selected areas; and Project Fullemploy, an organisation aiming to help young people from the minority ethnic communities into employment provides enterprise training through its Business Resource Centres. There is also a national award scheme for young businesspeople, "Livewire", sponsored by the Shell company.

The assistance provided by these initiatives to young people is therefore as follows:

	PYBT	YECs	Graduate Ent.	Livewire	Fullemploy	Instant Muscle	Industrial Society
Awareness		**		**	**	**	**
Information		**		**	**	**	**
Counselling	**	**	**	**	**	**	**
Training	*	**	**	**	**	**	**
Workspace	*	**					
Common Services		**					
Money	**			*		*	
Group Marketing	**						
Contacts	**	*		**			**

** - all
* - some areas

(Source: BIC 1987a)

2.10 Area Initiatives: Apart from the national agencies for Scotland and Wales, and the organisations serving the North of Ireland, there is recognition of the special needs of areas suffering relative decline. The main mechanisms for financial aid are **Regional Enterprise Grants**, available to support SMEs in selected development areas, and **Urban Programme**, to assist local government spending in urban areas (see Appendix 1).

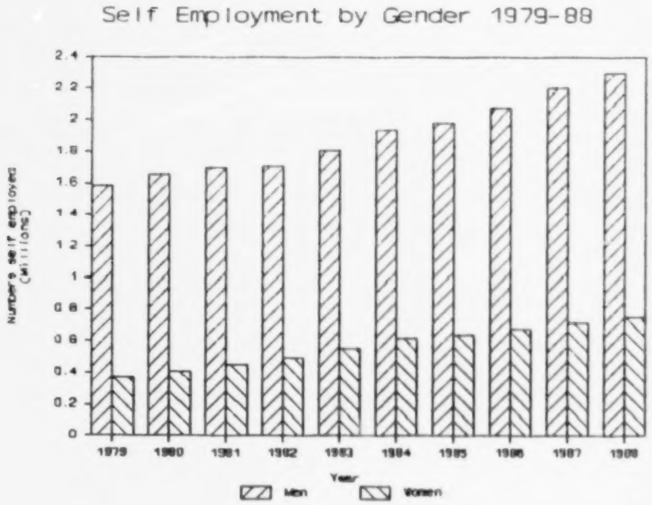
There are also a number of initiatives to assist in the development of urban areas with special problems, which include a significant element of business development and enterprise training. The Wester Hailes Partnership in Edinburgh (Appendix 2, Case study 7) is an example of the types of activity undertaken by these organisations. Inner City Task Forces and City Action Teams coordinate Central Government business support in designated large urban areas in England and Wales.

Small firms in rural areas are supported by schemes made available by the specialist development boards, the Rural Development Commission in England, the Highlands and Islands Development Board in Scotland, and the Development Board for Rural Wales. Examples of some of the support instruments available through these organisations are given on Appendix 1.

Chapter 3 - Womens' Self-Employment

3.1 The Context: Labour market shifts, together with increased recognition of womens' interests, have led to the development of initiatives designed to encourage greater participation of women in the formal economy. In the field of business development and training, there has been an increase in the provision of support for women to develop businesses. However, firms established by women remain in the minority, with only 750,000 women being self employed as against 2,197,000 men (Figures for December 1988 - ED 1990).

The comparative numbers of men and women in self employment over the last decade is shown in the graph below.



(Source: (ED 1990)

Womens' self employment has therefore grown at a greater rate than mens', showing around 100% growth rate between 1979-1988, compared with a 45% growth for mens' self employment over the same period.

The sectoral presence of womens' self-employment in 1987 was as follows (Curran 1988):

Sector	Number (000s)	as % of total
Agriculture	28	4.8
Chemicals	4	0.7
Metals Manufacturing	2	0.3
Other Manufacturing	29	4.5
Construction	10	1.7
Retail & Distribution	7	1.6
Hotel & Catering	266	45.4
Banking & Finance	55	9.4
Other Services	185	31.6
TOTAL	586	100

Women's businesses are therefore concentrated in the services and hotel and catering sectors, with a poor presence in manufacturing.

3.2 Issues in Womens' Business:

3.2.1 Childcare: Childcare responsibilities fall disproportionately on women, and provision for the under five year olds is poor, with less than 1% of British children attending state nurseries (BIC 1989). Private childcare costs cannot be set against income tax, although the provision of workplace childcare by employers is no longer taxable as a benefit. While some employers are beginning to provide facilities, childcare remains a barrier for many women entering self employment. Single parents participating in Employment Training do, however, qualify for up to £50 per week to subsidise childcare costs.

3.2.2 Women Returners: Women often take career breaks to have children, which places them at a relative disadvantage when returning to the labour market. Amongst the disadvantages can be: lack of a support network of former colleagues; lack of contact with recent developments in their business area; reliance on working from home; and the need for part time work.

3.2.3 Access to Capital: Many women entrepreneurs encounter the perceived problem of discrimination in access to capital from conventional sources (Carter & Curran 1988; Ashcroft 1989), leading in a number of cases to under capitalisation.

3.3 Support for Womens' Business: In recognition of the additional problems which women face in developing businesses, there has been a growth of initiatives specifically aimed for womens' needs.

3.3.1 National Organisations: In 1987, the **Womens' Enterprise Development Agency** was established in England, with support from a private sector bank, to provide aid for women in business, especially women from low income and minority ethnic groups (Appendix 2, case study 8). Other banks, with Government support, helped establish **Women in Enterprise**, which is essentially a network of professional women.

3.3.2 Local Resources: Some local enterprise agencies provide support schemes for women, such as the Bathgate Area Support for Enterprise (BASE) enterprise training for women, the Bristol and Avon Enterprise Agency BRAVE Womens' Enterprise Centre, the Workstart Women Creators programme in Dundee, and the Scottish Enterprise Foundation's (SEF) Womens' Enterprise Unit. The support provided by these agencies can vary from gender specific training courses, networking, and in the case of SEF, includes training for women to become business advisers, shifting the balance in what is currently a very male profession.

3.3.3 Co-operatives: The worker co-operative movement, although small, has a record of being very receptive to womens' business, with some funding, such as London Co-operative Finance, being specifically earmarked for womens. East Anglia Co-operative Development Agency, with Women in Enterprise, have a local centre to provide womens' enterprise training courses, the Womens' Employment, Enterprise and Training Unit. The Industrial Common Ownership Movement, the British organisation for worker co-operatives, has an associated body, ICOM Womens' Link-Up.

3.3.4 Finance: There are a small number of funds for womens' businesses, such as the local government funded Stirling Employment and Economic Development Company (SEEDCO)'s Women Into Business Scheme, providing grant aid for womens' start up businesses. The number of specifically targeted financial schemes such as this are, however, limited.

3.4 The Future: Current estimates (BIC 1987b) suggest that almost 80% of the workforce increase required in the UK by 1995 will have to come from women. This demographic reality means that more attention will be given to the needs of women in the labour market, evidenced by such schemes as the Engineering Industry Training Board's TESS (Technical Engineering Scholarship Scheme) initiative, to encourage women to train as electronics and software engineers.

While it is likely in the medium term that services to start up firms in the UK will remain relatively static, after a period of significant growth, there may be some increase in resources for special needs groups, especially women returners.

Chapter 4 - Training for Business Start Up:

4.1 The main types of support for business and enterprise training have been described above, and in Appendix 1. Delivery of particular training packages can vary from area to area, and the development of TECs and LECs is likely to exacerbate this trend.

4.2 Pre Start-Up Training:

4.2.1 **Business Enterprise Programme:** Now part of BGT Option 2, providing seven days free training over six weeks, for individuals considering going into business, covering general business administrative and planning skills. Generally offered through local colleges or enterprise agencies. There are also short (two day) and open learning options (part of BGT Option 1) of the course available.

4.2.2 **Employment Training Enterprise Rehearsal:** Pre start-up trading for up to six months to assist the long term unemployed start up businesses. Participants are paid their unemployment benefit plus a small premium. Linked with Business Enterprise Programme courses. Made available through approved training agents.

4.2.3 **New Opportunities for Women/Wider Opportunities for Women:** Pert time course, usually free, and spread over 3-6 weeks, for women re-entering the labour market. The courses vary according to locality, and cover self confidence skills, employment options and technical skills. Generally made available through local colleges.

4.2.4 **Youth in Business**: Enterprise Rehearsal and pre start up courses for young people considering self employment. The total training package, which includes work experience and skills training, can last up to two years. Trainees receive an allowance, currently £29.50 per week for the first 12 weeks and £35 thereafter for one year courses, or £29.50 for the first year and £35 thereafter for two year courses.

4.2.5 **Enterprise Allowance Scheme:** A one year subsidy of £40 per week for unemployed people, or people from YT or ET, entering self employment. Participants have to attend a one day business awareness course before receiving the allowance.

4.2.6 **Graduate Enterprise Programme:** A 20 week training course for graduates setting up viable businesses, followed by 3 days counselling over the following 6 months. Participants receive the equivalent of an ET allowance over the period of the programme.

4.3 After Start Up:

4.3.1 **Firmstart**: Short block courses of up to 15 days over 6 months for new small businesses which have the potential to grow. The courses are only run in certain regions (see Appendix 1), are provided free, and are generally held at weekends or evenings to avoid interfering with the businesses. Now part of BGT Option 2.

4.3.2 **BGT Option 2:** Provides a series of other programmes, including: low cost business skills seminars for existing businesses (formerly called Private Enterprise Programme); training programmes to encourage growth; Supported open learning courses for owner managers - also available under BGT Option 1.

4.3.3 **Awareness Seminars:** A number of organisations, including enterprise agencies, employers' organisations, such as Chambers of Commerce, and local authorities establish information networks providing information and seminars for businesses. An example of such a grouping is the Strathclyde 1992 Initiative in Scotland, which aims to raise awareness amongst local businesses of the implications of the Single European Market.

4.3.4 **Professional Industrial and Commercial Updating (PICKUP):** Is a source of funding, often available through local colleges, to encourage greater educational responsiveness to the training needs of industry (see Appendix 1).

4.4 Schemes to Encourage the Development of an Enterprise Culture:

4.4.1 **School/Industry Links:** 19.6% of primary schools have links with local industry (RSA 1989), and in secondary schools, the

Technical and Vocational Employment Initiative (TVEI) attempts to relate school activities to economic work. In 1989, 6000 school teachers took up placements in business (ED 1990).

4.4.2 **Higher Education:** The Enterprise in Higher Education initiative (Appendix 1) provides resources to universities and colleges to develop information on work, including self employment and small businesses. Around 37 institutions participate in this scheme.

4.4.3 **Enterprise Training in ET and YT:** A number of training schemes include an element of "enterprise training", intended to encourage the development of an enterprise culture, and not necessarily business start up. A variety of training packages around this theme are used as part of YT and ET schemes (Reid 1990).

4.5 Example of Enterprise Training Content for the Unemployed:

The Business Enterprise Start Up (BEST) consortium in the North East of England is an example of enterprise training in ET (Irwin & Ball 1989). Trainees receive a six week training course, with the aim of moving onto enterprise rehearsal and enterprise allowance.

4.5 Evaluation: Many of the initiatives described in this paper are relatively new, and there are only a limited number of studies measuring the success and failure rates of businesses making use of these resources over a period of time. The case studies (Appendix 2) give some local evidence of the effect of support at a local level, and the scale of their activities.

4.5.1 Enterprise Allowance Scheme (EAS): An evaluation of the EAS (Gray et al 1986) found that 81% of EAS businesses survived their first year, the remaining 10% returning to unemployment, 5% entering employment, and 4% trading part-time. Survivors tended to be male, relatively older (the greatest percentage of failures being in the 18-24 age group), and many had a history of family self-employment. The sectors with greatest growth were distribution and personal services, although distribution, with manufacturing, had the greatest failure rate. There was no apparent correlation between previous self employment history and success, although since the EAS sample group were unemployed directly before business start up, no great emphasis should be put on this finding.

A three year survey of EAS (Gough 1986) showed that 61% of businesses were still trading after two years, and for every 100 businesses surviving for three years, there were 99 additional employees. Criticism was made by participants of the relative lack of continuing training, support, and advice.

Survival rates from the EAS pilot scheme were as follows:

	Base	% still in business at survey date
All	540	61
Gender - Men	501	62
Women	38	47
Age -under 30	101	50
30-39	177	64
40-49	131	63
over 50	129	64
Qualifications -		
A level or higher	63	59
O level or CSE	91	58
other	151	61
none	234	64
Time unemployed -		
Up to 3 months	54	78
3-6 months	209	61
6 months - 1 year	163	59
Over 1 year	113	57
Investment planned in first year -		
up to £1000	220	55
1001-2000	159	62
2001-5000	112	65
over £5000	48	77

Older male participants with no qualifications, who had not been unemployed for a long period, and had more money to invest had businesses which were therefore more likely to survive.

The unemployed target group for EAS diverts attention from the types of business which appear most likely to be successful - spin offs from existing companies developed by former employees, sometimes described as "intrapreneurship" (Lloyd et al 1987). In this type of business, know-how, contacts, and existing trading relationships may play a more important role than training and advice.

4.5.2 Support from Enterprise Agencies: A survey of small firms assisted by enterprise agencies (BIC 1987b) found a failure rate of 27.7% over the period 1982-85, significantly less than the failure rates for all VAT registered businesses over the same period. The main reason for business failure was under capitalisation (42% of failures), with lack of knowledge coming second (14%). Of the surviving firms, 31% had taken part in some form of enterprise training, and the survey showed that the provision of general business education by the enterprise agency is associated with lower failure rates. However, only 10% of surviving firms directly participated in enterprise training, and those tended to be micro firms (under 5 employees).

Chapter 5 - Factors for Success

5.1 There is no single recipe for success in training for business development. The key to a successful business remains a good and viable idea which can be sold in the marketplace.

Much of the growth in self employment in the UK over the past ten years has been at the micro level, and include many businesses on the margins of viability, in occupations such as window cleaners, hairdressers, basic retailing and labour only sub contractors in the building industry. Additionally, the development of a "post Fordist" economy, with a reducing number of large enterprises and more contracting out of business functions to smaller enterprises is likely to have had an effect on the numbers of self employed.

The development of self employment has proved sectorally variable. It has been estimated (Curran & Blackburn 1990) that there will be significant self employment growth in personal and business services in the period to 1995, while distribution, hotels, and catering will decline. The personal and business services sectors themselves are also particularly vulnerable to technological change and overall trends in the economy.

5.2 Characteristics of the Self Employed:

5.2.1 As has been noted above, individuals who start up in business are most likely to be male and aged between 25-44 (Curran & Blackburn 1990). A forthcoming study (Burrows) has suggested that there is an inverse relationship between educational attainment and self employment, to a certain extent reinforcing the findings of a study (Storey et al 1987) which showed that growth business managers had pre degree qualifications.

That study also showed that fast growth firms were more likely to have management with experience in marketing, had greater market awareness than their competitors, and were more innovative in their product or service range.

5.2.2 Motivation for Self Employment: Government attempts to foster an "enterprise culture" puts great emphasis on the ideology of self employment as a reason for business start up. A review of reasons given for transferring to self employment (Hakim 1989b) found that this ideological justification was the main reason given, followed by monetary gain. The reasons for entering self employment given in this survey was as follows:

Reasons for transferring to self-employment

	New self-employed	Recently ceased self-employment	Intending s/e	Men	Women
Independence	31	32	42	31	42
Financial Rewards	18	26	23	20	22
Unemployment	15	13	14	18	5
Other Push Factors	8	1	1	3	1
Family Reasons	4	6	2	3	6
Other reasons/don't know	29	21	18	24	23

(figures expressed as percentage of survey response)

Surveys of young people (Curran & Blackburn 1989) have found a critical awareness of the issues involved in self employment, with

25% thinking it likely that they would eventually run their own business, although in practice, the motivation for many youth businesses remains limited employment opportunities.

5.3 Training Effectiveness: Curran and Stanworth (1989) have identified what they see as the "key dimensions" of small business education, suggesting that the greatest need is for continuing small business education. They describe these factors as follows:

	Knowledge Base	Teaching Strategies	Effectiveness	Potential
Entrepreneurial Education	Poor	Ill Developed	Unknown but probably high	Expansion would not produce dramatic gains
Education for Small Business Ownership and Self Employment	Medium to Good	Moderately Effective	Medium to High	Expansion would produce gains
Continuing Small Business Education	Medium to Poor	Medium	Not Known	High but some difficulties (Distance learning may be most effective form)
Small Business Awareness Education	Medium, but Knowledge base need not be large	Medium with potential for high effectiveness	High	High but direct impact on small firm population problematic

However, while continuing support for business is recognised as a key issue, there is evidence to suggest that smaller firms do not prioritise training (Hyman 1990). Perhaps the key issue for business development and training is the need to increase firms' awareness of the need for training and support.

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THE EFFECTS OF ENTERPRISE CREATION SUPPORT POLICIES

ITALY

July 1990

Mr. Donato Speroni

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INTRODUCTION

by Donato Speroni

The vitality of the Italian economic system depends in particular on the system of small businesses. New businesses are being launched at a rate which is among the highest in Europe: almost 300 000 per annum in comparison with 120 000 failures on average over the last five years. New business creation is stronger in the North where the economic fabric is more robust. However, the development index for the number of businesses shows a higher increase in the South than in the remainder of the country confirming that Southern Italy is also pervaded by a strong "spirit of enterprise".

The public authorities have launched a number of programmes to support and promote these new businesses. These include:

- measures aimed at Southern Italy, starting with Law 44 of 1986 known as the "De Vito law";
- regional laws;
- measures launched within the system of state-controlled companies, i.e. firms in which IRI, ENI and EFIM have holdings;
- other ventures such as BICs and technology parks;
- training courses designed to promote new entrepreneurial skills.

A number of general considerations can be drawn from all these experiments.

1. In Italy it is also necessary to differentiate between job creation, i.e. the creation of jobs, usually temporary and low-

level, in areas with employment problems and enterprise creation where the employment objective is achieved by creating enterprises able to stay in the market. The first type of venture includes the funding of the "socially useful projects" set out in the 1988 Finance Law (the annual law on new expenditure appropriations) and subsequently extended, which has provided many tens of thousands of young people with the illusion of a job at some ECU 400 per month; enterprise creation, on the other hand, includes Law 44/86 on the promotion of a new enterprise culture among young people under which 200-300 manufacturing and advanced service enterprises are being created every year, each providing employment for some ten or so people, with good prospects of survival when the period of State support comes to an end.

2. Promoting the development of Southern Italy, i.e. those regions south of Rome, has top priority in enterprise creation policies. Law 44/86 was issued precisely for this purpose. However, its results must be carefully evaluated. In terms of enterprises created, the 600 projects approved between 1987 and June 1990 by the Committee which administers Law 44/86 seem very few in comparison with the 100 000 and more companies and cooperatives launched in Italy over the same period, including at least 40 000 in Southern Italy. Law 44, however, has promoted the spirit of enterprise in an area where there is considerable enthusiasm but little training for business creation. At least 10 000 young people attracted by the substantial assistance on offer (under the law LIT 2200 billion were available over three years and its re-financing has already been announced) have submitted over 2000

projects to the 44 Committee. Contacts with the Committee administering the law, with Chambers of Commerce and with other promoters (unions, cooperative organizations, social associations), meetings with experts for the formulation of projects and business plans, the discovery that selection (so far one out of three projects has been given the go-ahead) was based on objective criteria and not on political sponsorship, have all been a turning point for the new generations in the South. The experiment could be repeated in other similar areas, for instance in those countries of Eastern Europe looking for new ways of promoting small businesses.

3. Regional laws have not on the whole had very positive results. Some (for instance in Abruzzo) have merely promoted job creation, offering funds indiscriminately to social service cooperatives with little chance of survival. There has been little or no contact between the promoter organization and the businesses funded in many other cases. After the selection procedure, often inadequate, businesses have been partially funded and left to their own devices. Delays in funding have often placed partners in the business in a critical position and caused the business to fail. Training, when provided, has not been organized. In many cases, with the exception for instance of Lombardy, contacts between the Region and businesses have been so short-lived that funding offices have lost touch with the businesses a few months after paying out the funds.

4. Other programmes in support of enterprise creation have been launched or are being studied by state-controlled companies: ENI,

IRI and their subsidiaries GEPI and INSAR, largely as a way of tackling the recession in certain sectors of industry ranging from iron and steel to chemicals. In almost every case these programmes aim to find new jobs for laid-off workers, i.e. workers laid off from factories following restructuring who have continued to receive a wage for a number of years while awaiting further placements. The failure to reform the Cassa Integrazione Guadagni (CIG - Earnings Supplement Fund), blocked for years in Parliament, has prevented the launch, except in the particular case of iron and steel, of programmes providing laid-off workers paid out of the CIG with incentives to start their own businesses. Many of the programmes under way offer incentives to other entrepreneurs to launch new ventures or extend existing ventures provided that they recruit a number of laid-off workers: this raises very difficult problems since, as experience has shown, many laid-off workers are unwilling to return to employee status after years of paid absence from the factory.

5. A number of programmes to provide new entrepreneurs with various types of back-up service are on the launch pad with funding largely from the Ministry for Southern Italy and the EEC: incubators, databank connections, cooperative services. Most programmes of this type were devised after the launch of the new law on Southern Italy (64/86, not to be confused with 44/86 for young entrepreneurs) and it is too early to review them in any detail.

6. Italian enterprise creation programmes have up to now given priority to funding, paying out massive amounts in some cases,

rather than training. Training has at the most been seen as a corollary to financial support. There are many private and public courses offering help in starting up businesses. The type of training most needed by aspiring entrepreneurs, however, is of a personal type linked to the problems surrounding the start-up phase, ranging from finding premises to contacts with banks. The "tutoring" promoted by the 44 Committee has been particularly successful: managers from large firms, including Fiat and Olivetti, have overseen fledgling enterprises during their first year of operation. As well as transferring expertise, tutoring also provides an early warning of potential problems within new enterprises.

7. Job and enterprise creation schemes have developed very chaotically on the whole. At least five ministries are involved: Industry, Education, State shareholdings, Labour and Southern Italy. Even ISFOL, the institute which superintends training in Italy, is unable to draw up a complete picture of regional ventures. The survey which our company conducted in 1989 on behalf of the Ministry for Southern Italy was the first fact-finding venture aimed at overall coordination in a sector where there are major gaps in even the basic statistics. It should be noted, for instance, that no statistics are available in Italy on the failure rate of new businesses after three or five years of life. No field surveys have up to now been carried out to monitor the efficiency of new business training and back-up programmes or the reasons for the failure of new ventures. The Minister for Southern Italy has now made CentoSud responsible for establishing a monitoring unit which should plug these gaps.

8. Initial data from the new monitoring unit should be available at the end of 1990. The monitoring unit will considerably amplify the picture given by the 1989 survey which included data on twelve regional laws, Law 44/86 and five ventures by state-controlled companies with 423 field studies and 105 interviews with experts. This initial research showed that Law 44/86 and regional laws in Southern Italy had paid out funds of LIT 817 billion in the three years between 1986 and 1988 and had funded 1715 enterprises providing 23,000 jobs: figures which can in no way be considered negligible.

A look into the future. What prospects do policies in support of enterprise creation offer in Italy? It is difficult to pinpoint any precise policies because responsibilities are so fragmented. 1990 and 1991 will, moreover, be a turning point in Italy for development policy and consequently also for new enterprise promotion in the weakest areas of the country. The funds available under laws on Southern Italy have all been committed and the debate on re-financing criteria is now starting in political circles. Three main trends seem to be emerging, however, as regards enterprise creation and business start-up training.

a. The confirmation of Law 44/86 on new enterprise among young people. According to the Corte dei Conti (Court of Accounts), the judicial body policing the administration of the Italian institutional system, Law 44 has been the only valid venture in the fight against unemployment since it is creating jobs in new enterprises likely to stay in business. The general consensus on this law would seem to indicate that it will be re-financed, although a few changes based on experience are likely to be made.

b. Greater selectivity in the launch of other job creation schemes, in some cases for objective reasons. In the North of Italy there is now full employment. In the South, unemployment is still at very serious levels, although figures from the Statistics Institute show a substantial increase in jobs over the last twelve months. Decreasing social pressures will make it easier to implement a policy aimed at enterprise creation rather than the creation of temporary jobs.

c. Despite improvements in the employment situation, there is an increasingly evident divide between the Centre and North and the South of Italy, including all the regions south of Rome. A recent Bank of Italy survey based on 1987 figures shows that the Centre and North, if it were a separate country, would come top among the Europe of the 12, immediately after Luxembourg, as regards gross domestic product per capita. Southern Italy, however, would come slightly above Ireland, Greece and Portugal.

While investment in infrastructure and incentives for enterprise are needed to combat this divide, the training system also needs to be completely overhauled as the Regions have largely failed to carry out the tasks assigned to them by the Constitution. More attention also needs to be paid in this area to the training of new entrepreneurs with support from public funds. The largest appropriations pass through FORMEZ, the institute for training in Southern Italy, set up as part of the "extraordinary measures" for the development of the south. A massive figure of some thousand billion lire will be jointly managed over the next three years by FORMEZ, Confindustria, the Union of Chambers of Commerce and other national bodies for the launch of training courses aimed at secondary school certificate-holders and graduates in the South. A substantial proportion of these funds will go into promoting "enterprise culture" among those who have launched or intend to launch a business.

This report has been compiled by Paola De Benedetti Bonaiuto, with the assistance of Flavia Coccia and Silvia Guarriello. The chapters on Law 44/86 and on BIC Trieste have been written by Francesca Mazzà.

CHAPTER 1 - NEW BUSINESS CREATION

I. Statistics

Figures on business development highlight the increasing popularity of the enterprise culture in Italy. Many new businesses are created every year in all geographical areas. This highlights the trend towards the spread of small and medium-sized enterprises. These enterprises have spread largely as a result of the progressive externalization of production and management tasks and services in general which were previously concentrated solely within the major firms.

Some geographical areas (Marches, Tuscany and Veneto), as noted by G. Fuà in *L'industrializzazione nel Nord Est e nel Centro* [Industrialization in the North East and Centre] (1983) and A. Fumagalli in *La formazione di nuove imprese: aspetti teorici e analisi statistica* [New business training: theoretical aspects and statistical analysis] (1988), have designed their development models around small and very small businesses. The fragmentation of production units and the externalization of services have consequently promoted a sizable increase in this type of enterprise which is unrivalled in Europe.

The North is the geographical area within the strongest economy containing the majority of new enterprises (see Table 1). The South, which has in the past had smaller numbers of enterprises than other areas, is growing because of a strong surge of entrepreneurial spirit. The most interesting changes are therefore to be found in the South where the business development rate is higher than the total for Italy.

Although the northern regions continue to come top with the majority of firms operating in Italy, their development index is lower than or equal to the Italian average in the years considered (see Tables 3-4). There is, however, a continuing gap between the regions which can be seen from the population and employment figures.

Figures on business creation and failure rates are often rightly criticized as factors for evaluating the development of an area, as pointed out by G. Garofoli in *Formazione di nuove imprese e sviluppo locale* [New business creation and local development]. As an alternative, Garofoli proposes a business creation indicator formulated as a ratio between the number of new businesses and the resident working population. In 1989, the resident population of working age could be broken down as follows: 45.6% in the North, 19.3% in the Centre and 35.1% in the South (see Table 5).

The Centre and North accounts for 69.9% and the South for 30.1% of those in employment. These figures are reversed for the workforce looking for employment: only 34.8% of the total in the Centre and North and 69.8% in the South (see Table 6). Increasing entrepreneurial development is therefore taking place in the South but is not as yet able to offer an overall solution to the employment problems of the southern regions.

II. Legal form

A breakdown of the new businesses created in Italy by their legal form helps to clarify the picture of the new enterprise culture (see Tables 7-10). Sole traders occupy the top position among new businesses in Italy (58.5% in 1985, 61.4% in 1989).

Registrations of companies with share capital have increased over the period. On the other hand, the creation of partnerships has not increased but has fallen from 31.8% of new registrations in 1985 to 23.8% in 1989. The development of companies with share capital in comparison with the other forms of company shows that new business creation is becoming more sophisticated.

This trend is also borne out by figures on the failure of businesses:

- the failure rate among sole traders is high, accounting for some 80% of the total for Italy;
- the percentage value did not exceed 7% in any of the years considered for companies with share capital;
- partnerships ceasing to trade and cancelling their entries in Chamber of Commerce registers increased from some 10% in 1985 to 15% in 1989.

The upward trend as regards legal form is also borne out by development indices:

- the development rate among companies with share capital is higher than the Italian average, with scores as high as 7.1% in 1987;
- partnerships, showing a substantial development of 12.9% in 1985, fell progressively to 4.4% in 1989;

- the development index for sole traders which was 1.7% in 1985 levelled off in the remaining years to values of around 3%.

III. Sectors

Registry changes in the economic sectors mirror the dynamism of economic development in Italy (see Table 11). This dynamism is also due to the decentralization of industrial production and the resulting spread of small and medium-sized enterprises.

Figures for all the economic sectors vary substantially between 1985 and 1989. Registrations of new industrial enterprises fell slightly over the period, a decrease which may be seen as a natural development bearing in mind that Italian industrial expansion levelled off during the period and simultaneously created openings for new types of enterprise such as the service sector businesses in general, brokerage and services to industry.

After a major increase in 1987 (44% of total registrations for the year), new commercial enterprises also fell to 18% in 1989.

The most interesting figures concern the service sector. The most substantial increase in enterprise numbers took place in this sector: in 1988 the figure of 20% was reached and exceeded, making this the highest growth sector in the Italian economy with second place among new registrations.

Unclassified enterprises are those concerns which have not yet been formally allocated to a specific economic activity since they were inoperative during their initial period of existence. Their registrations, however, are indicative of the growing entrepreneurial trend in Italy.

Note on methods

Our analysis of business development in Italy has been drawn largely from the data contained in the registers of the Chambers of Commerce, Industry and Crafts. Chamber of Commerce records cover all enterprises (companies with share capital, partnerships and sole traders, the latter consisting largely of craft workers) which are obliged to register by law. Cooperatives are included in the entries for companies with share capital and partnerships (public and private cooperatives with limited liability under companies with share capital and all the others under partnerships).

The way in which these figures are formulated makes it impossible to ascertain the size of enterprises in terms of employee numbers. The only figures available are those of the ten-year ISTAT censuses which only go as far as 1981.

Table 1 - Start-up rates by geographical area

Geographical area	1985	1986	1987	1988	1989
North	154 438	146 390	146 984	152 582	153 167
Centre	51 929	49 953	63 349	62 380	58 970
South	63 494	94 636	87 475	83 035	71 748
TOTAL	269 861	290 979	297 808	297 997	283 885
Percentage values					
North	57.3	50.3	49.3	51.2	54.0
Centre	19.2	17.2	21.3	20.9	20.8
South	23.5	32.5	29.4	27.9	25.2
TOTAL	100.0	100.0	100.0	100.0	100.0

Table 2 - Failure rates by geographical area

Geographical area	1985	1986	1987	1988	1989
North	83 517	75 536	66 446	71 896	77 591
Centre	27 745	23 817	24 311	23 974	27 294
South	23 346	25 740	21 236	19 590	21 986
TOTAL	134 608	125 093	111 993	115 460	126 871
Percentage values					
North	62.1	60.4	59.3	62.3	61.2
Centre	20.6	19.0	21.7	20.8	21.5
South	17.3	20.6	19.0	16.9	17.3
TOTAL	100.0	100.0	100.0	100.0	100.0

Table 3 - Enterprises operating by geographical area

Geographical area	1985	1986	1987	1988	1989
North	1 485 777	1 547 311	1 629 677	1 843 993	1 900 425
Centre	522 167	523 111	822 124	841 326	822 124
South	868 385	1 071 125	1 038 571	1 059 748	1 038 571
TOTAL	2 876 329	3 141 547	3 349 032	3 745 067	3 490 372
Percentage values					
North	51.7	49.3	46.6	49.2	50.0
Centre	18.1	16.7	23.6	22.5	22.2
South	30.2	34.0	29.8	28.3	27.8
TOTAL	100.0	100.0	100.0	100.0	100.0

Table 4 - Development index by geographical area

Geographical area	1985	1986	1987	1988	1989
North	5.0	4.8	5.2	4.6	4.1
Centre	4.9	5.3	5.0	4.8	3.9
South	4.8	6.9	6.8	6.4	4.9
TOTAL	4.9	5.6	5.6	5.1	4.3

Table 5 - Italian population of working age in 1989 - by geographical area

	Men		Women		Total	
	A.V.	%	A.V.	%	A.V.	%
North	9 711	45.8	9 937	45.4	19 648	45.6
Centre	4 097	19.3	4 238	19.4	8 335	19.3
South	7 412	34.9	7 723	35.3	15 135	35.1
TOTAL	21 220	100.0	21 898	100.0	43 118	100.0

Source: Our processing of ISTAT data

Table 6 - Employees and jobseekers by geographical area in 1989 (%)

	Employees	Jobseekers
Centre/North	69.9	34.8
South	30.1	69.6
TOTAL	100.0	100.0

Source: Our processing of ISTAT data

Table 7 - Creation by legal form

	1985	1986	1987	1988	1989
Companies with share capital	26 110	33 656	41 928	41 616	41 771
Partnerships	85 470	74 810	72 718	67 040	67 002
Sole traders	157 321	181 443	181 705	187 672	173 188
TOTAL	268 901	289 909	296 351	296 328	281 961
Percentage values					
Companies with share capital	9.7	11.6	14.1	14.0	14.8
Partnerships	31.8	25.8	24.5	22.6	23.8
Sole traders	58.5	62.6	61.4	63.4	61.4
TOTAL	100.0	100.0	100.0	100.0	100.0

Table 8 - Failure by legal form

	1985	1986	1987	1988	1989
Companies with share capital	4 738	6 073	5 763	6 135	8 341
Partnerships	13 646	16 158	14 770	16 385	19 407
Sole traders	116 081	102 674	91 260	92 743	98 882
TOTAL	134 465	124 905	111 793	115 263	126 630
Percentage values					
Companies with share capital	4.5	4.9	5.2	5.3	6.6
Partnerships	10.1	12.9	13.1	14.2	15.3
Sole traders	86.3	82.2	81.7	80.5	78.1
TOTAL	100.0	100.0	100.0	100.0	100.0

Table 9 - Businesses operating by legal form

	1985	1986	1987	1988	1989
Companies with share capital	267 785	306 354	439 473	441 903	466 432
Partnerships	480 235	551 753	643 107	671 808	705 536
Sole traders	2 121 218	2 275 240	2 397 289	2 619 857	2 619 095
TOTAL	2 869 238	3 133 347	3 479 869	3 733 568	3 791 063

Percentage values

Companies with share capital	9.3	9.8	12.6	11.8	12.3
Partnerships	16.7	17.6	18.5	18.0	18.6
Sole traders	74.0	72.6	68.9	70.2	69.1
TOTAL	100.0	100.0	100.0	100.0	100.0

Table 10 - Development index by legal form

	1985	1986	1987	1988	1989
Companies with share capital	5.0	6.9	7.1	5.9	4.6
Partnerships	12.9	8.5	7.8	5.4	4.4
Sole traders	1.9	3.0	3.9	3.7	2.9
TOTAL	4.0	4.3	5.0	4.2	3.4

* The development index is net of unclassified businesses.

** The companies total does not correspond to the other processed data as it is net of consortia, organizations, etc.

Table 11 - *Creation by economic activity*

	1985	1986	1987	1988	1989
1	2 314	2 554	2 425	2 151	1 460
2	93	133	134	127	90
3	33 613	31 802	33 505	28 569	28 467
4	34 520	29 607	66 116	24 734	20 344
5	17 153	22 095	27 413	23 939	23 421
6	24 376	22 680	18 192	29 774	34 991
TOTAL	109 069	108 871	147 785	109 294	108 773
Percentage values					
1	2.1	2.3	1.6	2.0	1.3
2	0.1	0.1	0.1	0.1	0.1
3	30.8	29.2	22.7	26.1	26.2
4	31.6	27.2	44.7	22.6	18.7
5	15.7	20.3	18.5	21.9	21.5
6	22.3	20.8	12.3	27.2	32.2
TOTAL	100.0	100.0	100.0	100.0	100.0

1 Agriculture, hunting, forestry, fishing
2 Energy, gas, water
3 Industry
4 Commerce
5 Services
6 Unclassified enterprises

CHAPTER 2 - REVIEW OF BUSINESS CREATION AIDS

As mentioned in the introduction, business creation is promoted by many national and regional measures in Italy. A review of Law 44/86 and other cases of interest is given in Chapter 5.

Overall data on the concrete results of regional laws promoting new business creation are not available. In its 1989 Report, ISFOL (the body which advises the Ministry of Labour) admits that: "the development of local employment policies has not been accompanied by any monitoring of these policies: most local authorities which have launched schemes do not even have a statement on the stage reached in their implementation". The Report continues: "Repeated contact with regional, provincial or commune authorities administering schemes may make it possible to find out the level of take up of schemes or the number of applications submitted. It may also be possible to find out how many applications have been accepted by these authorities and the associated spending commitment, but it is far more difficult to find out how many applications have actually been funded since funds are issued so long after the acceptance of the application that it is very difficult to make any connection".

It seems even more difficult to assess the quality of schemes in Italy. As the ISFOL report notes: "schemes are proliferating without any attention being paid to the consistency of objectives, resources and instruments used and the effects which they have had on the local labour market".

I. Counselling/training

Little account is taken of training in the public business creation world. All the laws promoting new enterprise in Italy stress the importance of training but little is done in practice. Reliable data making it possible to assess the number of new enterprises set up under public measures which benefited from training are not available.

Some data, relating solely to businesses created under Law 44/86 and regional laws in Southern Italy, highlight the lack of training. The survey which our company conducted in 1989 on businesses financed under regional laws in the South showed that only 45% of the businesses sampled numbered one or more partners who had attended training courses among their staff. Sicilian Regional Law 37/78 recorded the lowest overall figure: only 23.8% of the sample of businesses interviewed had had anything to do with a training scheme in comparison with 89.7% of young people from businesses funded under Law 44/86.

The only law which considers training to be essential for business creation is Law 44/86, known as the De Vito Law, which provides a number of genuine support services for new businesses throughout the entire start-up phase (see Chapter 5).

II. Public and private financial aid

- Subsidies, loans and guarantees

All the regional laws on new business creation (particularly among young people) and national Law 44/86 provide capital loans and/or non-repayable grants in percentages which vary greatly from law to law.

Law 44/86 provides a capital grant of up to 60% of the investment, restricted to the first LIT 5 billion; secured loans on favourable terms at 30% of the ten-year reference rate including a three-year repayment holiday for up to 30% of planned expenditure on plant and equipment.

Grants are also provided for running costs: in the case of cooperatives, 75% of the first 500 million, 50% of each subsequent 500 million and 25% of expenditure exceeding one billion; in the second year of trading, the grant is respectively 50%, 30% and 20% of admissible expenditure. In the third year, 25% of the first billion and 15% of expenditure over one billion.

In the case of companies in their first year of trading, the grant is 75% of the first 400 million of admissible expenditure, 50% of each subsequent 600 million and 25% of expenditure over one billion; in the second year, it is 50% of the first 350 million, 30% of each subsequent 650 million and 20% of expenditure over one billion; in the third year, the grant is 25% of the first 800 million and 15% of expenditure exceeding 800 million.

Among regional laws, the regulations of the regions with special statutes provide particularly high funding. Sicilian Regional Law 37/78 for instance provides capital loans of up to 60% of expenditure deemed admissible for the implementation of projects; fifteen-year secured loans on favourable terms with a maximum repayment holiday of three years on the proportion of expenditure not covered by the capital loan; provision of bank guarantees for operating cost transactions.

The difference in amounts among the various regional laws is only partially shown by an examination of the legal texts. Field surveys of the funding per employee which businesses have actually received provides much more reliable data. The average funding per employee under Law 44/86 is some LIT 120 million per employee; in Abruzzo, regional law 63/86 provided funds of approximately 17 million per employee; the Lazio law (20/85) paid 0.4 million per employee and in Sicily and Sardinia the funds per employee ascertained by the field survey were 59 million and 76 million per employee respectively.

Many laws provide help with interest payments on credit operations contracted with banks and subsidiary guarantees, although it would be advisable in this case as well to undertake a field survey to find out whether the concessions set out in the individual laws have actually been put into practice. For instance the survey conducted in Lazio on regional law 20/85 shows that the agreements with banks needed to implement the concessions set out in the law have never been finalized.

Various instruments are used by state-controlled companies responsible for the re-employment of laid-off workers and/or the promotion of new business creation.

AGENI (a company set up to promote the conversion of firms in recession in the ENI group, especially in the textile industry) pays a non-repayable grant of some LIT 40 million to enterprises recruiting laid-off workers on the company's books. It does not take out holdings in the capital of new businesses, but acts as an intermediary between ENI companies in recession which have laid-off workers needing to be re-employed and businesses willing to recruit them. This is not, consequently, a measure with the direct aim of creating new businesses, but funding by AGENI undoubtedly facilitates their establishment as it covers labour costs for two years.

GEPI (Gestione partecipazioni industriali - Industrial shareholding administration, a financing company 50% owned by IMI and 50% by the three state-controlled company administration bodies IRI, ENI and EFIM) is undergoing rapid change. Set up for the purposes of streamlining industrial concerns subject to temporary recession which could be overcome, legislative measures after 1980 have given it the task of promoting production ventures making use of laid-off workers. New business creation is consequently the main way in which GEPI places laid-off workers in new jobs. GEPI takes a majority or minority holding in the capital of new businesses and advances the funds (assisted by mortgage guarantees and with first call on repayment) of laws offering concessions in Southern Italy. Where necessary it grants its own loans, again assisted by mortgage guarantees. It offers training, assistance and consultancy. After the enterprise has been launched, GEPI assigns its holding to the entrepreneur who has launched and is managing the enterprise. GEPI activities have created enterprises which have in recent years required a financial commitment per employee of 160 to 220 million. Until the reform of the Cassa Integrazione Guadagni has been implemented, GEPI cannot fund laid-off workers intending to launch their own small businesses. An initial awareness campaign among laid-off workers in the Campania region has shown that some 15% have their own business ideas and are prepared to launch new small businesses.

INSAR (a financing company controlled chiefly by ENI and GEPI) was set up as a result of the crisis in the former SIR chemical factories in Sardinia. It uses a number of operating resources to promote new enterprises which recruit laid-off workers or small businesses promoted by laid-off workers themselves. If the business idea has good development prospects, INSAR advances the incentives set out in various laws at favourable rates. It may also take holdings in the capital of the new enterprises for a period of no more than three years. The holding is then assigned to the partner who is always responsible for the operational management of the enterprise. A large number of very small businesses promoted directly by laid-off workers have received grants which vary according to the type of business which they want to launch. The average grant is 40 million per laid-off worker. INSAR also offers consultancy and training courses.

- Logistical help

Most business incubators in Italy have come about through Community directives. There were 12 BICs in 1989 (Vercelli, Genoa, Pistoia, Poggibonsi, Chieti, Battipaglia, Ascoli Piceno, Salerno, Giovinazzo, Foggia and Cagliari). Further ventures linked to EEC Directives include the CISI (Centri integrati di sviluppo di imprenditorialità - Integrated centres for entrepreneurial development) in Naples and Taranto and the BIC in Trieste set up by SPI-Promozione e Sviluppo Industriale SpA, a company in the IRI group which is the largest Italian state-controlled group.

How many businesses have actually been launched as a result of the local activities of these incubators? Some still exist only on paper, and it is perhaps too early to report on activities which are still new in Italy. At present, however, numbers do not seem very high.

The Trieste incubator, launched about 18 months ago, has achieved the best results in Italy (see Chapter 5). BIC Trieste has selected some 600 business proposals leading to the launch of 16 new high-tech businesses within the incubator; a further four are about to start up. The BIC has finalized a number of agreements with representatives from local industry in order to promote exchanges between the BIC and local small and medium-sized enterprises. A management school linked to the BIC will also come into operation at the end of the year.

BIC Liguria will launch its incubator at the end of summer 1990.

Nine businesses are ready to participate and will more or less fill the twelve places available.

The BIC experiment is still at an early stage in the South. The BIC in Giovinazzo in the province of Bari has had some success with the launch of three businesses. The BIC in Sardinia has selected business ideas, entrepreneurs have completed the training phase and seven businesses are about to be launched (see Chapter 3).

- Access to technology and markets

Technology parks, linked to those BICs which are already in operation, are being developed at local level.

The most advanced experiment is the Trieste park which was set up as a Consortium in 1978 and came into operation in 1981. Its partners include local public authorities and some of the main local and national research institutes. It is under the supervision of the Ministry for Scientific Research. The park's aim is to develop applied research, especially in high-tech sectors, with cooperation from foreign countries and the United Nations. The BIC has a good potential for development: businesses accommodated in the incubator, all pilot projects researching and using innovative technology, are starting to become reference centres providing local small and medium-sized enterprises with access to certain innovative technologies.

As regards market access, BIC Liguria has established a working party cooperating with other BICs in the EEC. The Committee administering

Law 44/86 has noted that market access is one of the most difficult problems faced by businesses when they are starting up. The tutors following up the businesses funded under this law receive continual requests for advice on locating market outlets from these businesses.

The Tecnopolis-CSATA facility near Bari which is linked to the BIC in Giovinazzo is a centre with considerable development potential. It is the only science and technology park currently operating in Southern Italy. The Tecnopolis experiment is set out in overall measure 2 of Law 64/86 and its associated three-year plan. It is consequently a genuine government initiative administered by the Ministry for Southern Italy. The Tecnopolis programme has been launched partly to find out what results could be achieved and how far these results could be reproduced in other areas of Southern Italy and to act as a bridge with other European ventures. The scheme is monitored by a Guarantor Committee responsible for supervising and reviewing the development of the Tecnopolis programme.

Tecnocity, promoted by Fiat with assistance from the main entrepreneurial organizations in north-west Piedmont, has been launched in the Turin-Novara-Ivrea area. Its partners include major enterprises such as Fiat, Olivetti, Stet, ENEA, smaller firms and university and research establishments. The association's aim is to disseminate technological innovation linked to production processes.

A planning agreement involving the Ministry for Southern Italy, the Ministry for Industry and the Regional Council of Basilicata, the Consortium for the Industrial Development of Matera and the ENI group was signed in December 1987 for the re-industrialization and redeployment of the ENI chemical industry area in Val Basento (Basilicata). A site equipped with a service centre and a technological innovation centre is being planned with help from local universities, research centres and ENI companies.

Other technology parks have been or are about to be launched: the BIC in Piacenza is developing a technology centre in cooperation with Mandelli industries; other ventures have been launched at the Enimont factories at Porto Marghera (Veneto), Canale Navile (Bologna) as well as the Bicocca Project in Milan and the Lingotto in Turin. The textile industry is represented by the Tecnotex Consortium in Biella and the Sprint Association in Prato.

The proliferation of technology parks has given rise to much debate, especially in the South where a joint committee of experts from the Ministry for Southern Italy and the Ministry for Scientific Research has proposed eleven such parks.

III. Aid allocation criteria

- Local

There is no national legislation on business start-up aids. The only law which covers a number of regions is 44/86 relating to the regions of Southern Italy.

All the regions, apart from Campania, have a law promoting business creation. These are laws which give greater priority to job creation than to business creation; selection depends on the potential to be competitive in the market.

The reference laws are:
Valle d'Aosta - Regional Law 25/86
Piedmont - R.L. 28/84
Liguria - R.L. 36/86
Lombardy - R.L. 68/86
Friuli Venezia Giulia - R.L. 32/85
Veneto - R.L. 51/85
Emilia Romagna - R.L. 33/82
Tuscany - R.L. 83/88
Umbria - R.L. 24/88
Marches - R.L. 35/87
Lazio - R.L. 20/85 and R.L. 54/88
Abruzzo - R.L. 63/86 and R.L. 64/90
Molise - R.L. 20/88
Apulia - R.L. 9/85
Basilicata - R.L. 32/85
Calabria - R.L. 2/88
Sardinia - R.L. 28/84
Sicily - R.L. 37/78
Autonomous Province of Trento - Provincial Law 19/83

Among companies with public capital, AGENI has national responsibilities. SPI potentially covers the whole of the country, but has been restricted by IRI directives to the areas of Genoa, Trieste, Terni, L'Aquila, Taranto, Porto Marghera, Livorno, Campania and Calabria. GEPI is active solely in Southern Italy. INSAR covers the provinces of Cagliari and Sassari in Sardinia.

- Allocation by target groups

Regional laws give priority to those groups facing the worst problems in the labour market: young people, women, redundant and unemployed workers, laid-off workers and in some cases the elderly and the disabled.

There has been a particular growth in schemes aimed at laid-off workers as well as young people in recent years. In the case of young people aged under 29, most legislation in the North is not aimed specifically at the unemployed, but at young people in general. Legislation in the South is almost all aimed specifically at the unemployed (see Table 12).

The small numbers of applications for funding have meant that the only attempt to promote cooperation between the young and the elderly (Regional Law 36/86 of Liguria) has had little success.

Priority is almost always given to the cooperative formula, but the number of laws offering funding for partnerships and in some cases companies with share capital is increasing, especially in the North.

Law 44/86 funds cooperatives and companies, at least 51% of whose partners are aged between 18 and 29. Experience with Law 44 shows that young people prefer companies with share capital when they are free to choose the legal form of the enterprise.

- Sectors funded

Most laws include all the production sectors falling within regional powers (Valle d'Aosta, Liguria, Lombardy, Friuli-Venezia-Giulia, Veneto, Autonomous Province of Trento, Emilia Romagna, Tuscany, Lazio, Basilicata, Apulia, Calabria, Sicily).

Elsewhere some sectors are excluded: in the Marches (R.L. 35/87) industrial and commercial activities cannot be funded; the Abruzzo region (R.L. 63/86) promotes only the business service and social and health sectors; Molise (R.L. 20/88) accepts only service sector activities (maintenance, business services and social services); Sicily (R.L. 37/78) and Sardinia (R.L. 28/84) exclude the commercial sector.

An important note needs to be made as regards the industrial sector. Regions with ordinary statutes are not responsible for industrial matters, while regions with special statutes can legislate in this area. In practice the situation is very flexible and many regions with ordinary statutes also provide incentives for the creation of industrial concerns in their laws promoting business creation.

National data on the sectoral breakdown of businesses funded are not available. An initial survey provides the following figures:

- the craft sector predominates in Valle d'Aosta (R.L. 25/86) accounting for over 40% of the businesses funded, followed by the commercial sector with some 25%;
- in Lombardy (R.L. 68/86), the service sector accounts for 66%, industry for 32% and agriculture for 2%;

- in the Autonomous Province of Trento (Provincial Law 19/83), ventures are split between the service sector (predominantly public and private services) and industry;
- in Emilia Romagna (R.L. 33/82) over two thirds of concerns are active in the service sector (business services, personal, social, recreational and cultural services);
- in Abruzzo (R.L. 63/86) almost 60% of businesses are in the social service sector, slightly over 30% in business services or private services;
- in Basilicata (R.L. 32/85) service and industrial and craft firms account for some two thirds of the concerns funded, split equally between the two sectors; social services account for some 20%, agriculture for 13.4% and tourism for 7.4%;
- In Apulia (R.L. 9/85) social services account for one third of businesses, craft firms for a further third and agriculture, cultural services and tourism for 10% each;
- in Calabria (R.L. 2/88) the majority of firms are in the tourism and craft sectors;
- in Sicily (R.L. 37/78) over 50% of firms are in the service sector, followed by agriculture with some 25% and industry with 18%;
- in Sardinia (R.L. 28/84) agricultural concerns have accounted for 76% of funding under the law followed by firms producing goods and services (14.5%) and tourism (9.5%).

- Project selection

There is a clear differentiation in this area as well between laws and institutions whose aim is to create business and those whose measures are intended to create jobs. Finding a clear dividing line between these two types of action raises problems in practice, although project selection criteria provide some pointers.

Law 44/86 (see Chapter 5) requires a detailed business plan and gives priority to ventures entailing the introduction of new technology or new management techniques. Evaluation is conducted by a panel composed of five members appointed by the Ministry for Southern Italy. The proposer's vocational skills and work experience and the technological and organizational content of the plan including employment prospects and any requirements for assistance and training which must be listed in the business plan both play a part in the evaluation of the venture's overall credibility. An examination of market potential is also a fundamental part of the evaluation. The evaluation panel pays particular attention to the market areas which can be inferred from the plan and checked via outside sources and to the product penetration and promotion strategies set out in the plan. Economic and financial aspects also play a crucial part in assessing the venture's economic viability.

Job creation also plays a part in the evaluation of plans under Law 44. When economic and production conditions are similar, preference is given to plans for businesses located in areas with high unemployment levels and plans involving the highest numbers of women.

The ratio between the number of applications received and those approved provides some indication of the selectivity of regional laws. During the first year of operation of Law 63/86 in Abruzzo, the nine-member evaluation group approved all plans whose documentation was in order (401 out of 425 submitted in 1987). The 123 plans submitted in 1988 were all accepted in 1989. The Regional Council's aim is to provide jobs, even if temporary, for the largest possible number of young people.

In Basilicata, 56% of requests submitted under Regional Law 32/85 were approved during the first year of operation of the law. The percentage of approvals then fell to 27% in 1987. The evaluation panel is composed of three officials from the departments of agriculture, production activities and planning and two planning experts appointed by the Regional Council. Young people submitting applications are asked to supply a technical and financial plan "detailing the nature, objectives and amount of investment, the number of partners, the number and qualifications of the young people to be recruited, the duration of the activity, the market areas which it is intended to cover and the estimated quantity of orders and number of customers".

One fact must be highlighted: while the Committee administering Law 44/86 keeps in very close contact with the businesses receiving funding, which are closely monitored in addition to being assigned a tutor, the relationship between almost all the regional laws and businesses is very tenuous. Even when the individual laws provide for them, checks on the businesses being funded are only occasionally carried out.

The relationship between businesses and promoting bodies within the system of state-controlled companies is quite different. AGENI supervises businesses for three years and INSAR helps aspiring entrepreneurs to draft business plans and provides specific advice. GEPI helps with the preparation of business plans, offering supervision and assistance during the start-up phase. When GEPI has a holding in the capital of businesses it requires audited accounts, places its own officials in the company management and monitors management through reports on the progress of the project.

IV. Specific programmes for the unemployed

Half of the regional laws promoting new business creation make explicit reference to unemployment (see Table 12). Legislators' aims are clear: to promote the entry into the labour market of the most disadvantaged groups. Although we have already mentioned the wide range of profiles set out in these laws, one trend is starting to take shape: greater flexibility within these laws. The most innovative laws are not merely restricted to people with unemployed status, which is officially recognized in Italy when people register at placement offices, but have been extended to all young people aged up to 29. The laws of some regions (Liguria, Tuscany, Molise and Sardinia) extend their scope of action to unemployed people aged up to 35.

Young people submitting plans under Law 44/86 do not necessarily have to be unemployed. The criterion which must be satisfied is that they are aged between 18 and 29. As mentioned above, preference is given at the evaluation stage to plans for businesses to be located in areas (specified by the administrators of the law) with the highest unemployment levels.

V. Review of development promoters

As mentioned in the introduction, public institutions are predominant in Italy as regards the promotion of business creation.

Law 44/86 (see Chapter 5) is administered by a Committee with offices in Rome which is the nerve centre for the whole of the procedure for businesses applying for grants. The Committee is a "political" institution with a Chairman (appointed by the Minister for Southern Italy) and a Vice-Chairman appointed by the Minister of Labour; the Chairmen of three state-controlled companies (IRI, ENI and EFIM) also serve on the Committee as well as the Chairman of Unioncamere (the Association of Chambers of Commerce), the Director General of the Cassa Depositi e Prestiti (Deposits and Loans Fund) and three representatives from the most representative cooperative movements at national level. The technical secretariat is made up of qualified people made available by those agencies responsible for the extraordinary measures affecting Southern Italy and the state-controlled companies. The evaluation panel is made up of five experts, generally university professors, appointed by the Minister for Southern Italy.

Although the launch of the procedures set out in the law was rather slow, the evaluation of plans is now completed in six to eight months and the average funding per employee granted to businesses is some LIT 110 million.

Regional laws are generally administered by the Labour Inspectorate; agencies responsible for running the various laws differ widely among the regions and it is difficult to give any detailed overall picture. Business plan selection criteria differ with the result that the agencies responsible for their evaluation also differ. The time taken to pay out funds also varies. A field survey conducted by CentoSud shows that in Basilicata, for instance, 41.7% of businesses interviewed had received their funding within two years of the date of their application for funding, while in Sicily 30.3% of businesses had had to wait for over four years because of the different procedures set out in the legislation.

The way in which the state-controlled companies GEPI, AGENI and INSAR operate has already been reviewed in paragraph II of this chapter.

Table 12 - Groups funded under regional laws

	1	2	3	4	5	6
Valle d'Aosta 25/86	X			X		
Piedmont 28/84	X	X			X	
Liguria 58/88		X	X	X	X	
Lombardy 68/86		X				
Friuli 32/85	X			X	X	X
Veneto 51/85		X			X	
Prov. of Trento 19/83	X				X	
Emilia Romagna 33/82		X				
Tuscany 83/88	X		X		X	X
Umbria 24/88		X(1)		X		
Marches 35/87		X(1)				
Lazio 19-20/85		X		X	X	
Abruzzo 63/86		X(2,3)				
Molise 20/88			X			
Apulia 9/85		X(3)				X
Basilicata 32/85		X(3)				
Calabria 2/88		X				
Sardinia 28/84	X		X		X	X
Sicily 37/78		X				

KEY:		
	1	Unemployed
	2	Young people aged under 29
	3	Unemployed aged under 35
	4	Redundant workers
	5	Laid-off workers covered by the CIG
	6	Returning emigrants

Notes:

(1) The age limit is increased to 35 for graduates, women, the disabled and redundant workers.

(2) The age limit is increased to 35 for graduates; older workers may be recruited into businesses provided that they are vocationally qualified in respect of the new business activity.

(3) Unemployed.

CHAPTER 3 - THE TRAINING SUPPLY

Italy has no national plan on training for business creation. The public authorities do not have a databank allowing them to monitor or obtain an overall picture of the activities of agencies offering training linked to new business creation.

The Ministry of Labour receives training plans from the individual regions and forwards requests for funding to the European Social Fund. The Ministry databank is not able, however, to differentiate between different types of courses and has not supplied us with any data allowing the compilation of information for this report.

The Director General of the Ministry of Labour's Central Office for Vocational Guidance and Training has stated that the Office's databank will be networked with the regions from the end of 1990 and will supply information broken down by type of training scheme.

Faced with the impossibility of obtaining exhaustive data from public sources, we used the Dioikema list. This company, with registered offices in Bologna, was set up in 1984 with private capital and funding from the Veneto and Emilia Romagna regions and from ENEA. The Dioikema information system provides lists of training courses and the agencies organizing them broken down by topic.

According to the Dioikema databank, the following training agencies are active in the area of business creation training:

- AI 20B, Intercommunal Association 20B, Figline Valdarno

(Florence);

- AI 8, Intercommunal Association 8, Pistoia;
- ANCIFAP, National association of IRI vocational training and advancement centres, Bari;
- ASSEFOR, Chamber of Commerce association for training and services for small and medium-sized enterprise, Florence;
- ASSFORSEO, Training, development and employment association, Rome;
- Association of Industrialists of the Province of Florence, Florence;
- Bompani formazione (training), Florence;
- CESCOT, Centre for the development of commerce and tourism, Piacenza;
- Cm B, Mountain Community B, Massa;
- CNOS, National Centre for Salesian Works, Ortona (Chieti);
- Provincial Committee for Management Training, Pistoia;
- Commune of Rimini, Rimini (Forli);
- Tecnoservizi Sicily, Regional Consortium, Palermo;
- ECIPAR, Regional small business vocational education confederation, Bologna;
- ENFAP, National vocational training agency, Cagliari;
- FAST, Federation of scientific and technical associations, Milan;
- FORCOOP, Cagliari;
- FORMAPER, Special continuing training agency of the Chamber of Commerce of Milan;
- FORMARK, Marches institute for entrepreneurial training, Ancona;
- IFOA, Business training institute, Baragalla (Reggio Emilia);
- IRFATA, Regional institute for technical training and assistance in agriculture, Bologna;

- IRFATA, Regional institute for technical training and assistance in agriculture, Ravenna;
- ISFID, Higher institute for the training of entrepreneurs and managers, Naples;
- ISTUD, Institute of management studies, Belgirate (Novara);
- ISVOA, Institute for the organizational development of the craft sector, Rome;
- MEET, culture and technology, Perugia;
- PROGEST, Ravenna;
- Promosviluppo, Rome;
- SADA, School of business administration and management, Modena;
- Vocational school for industry and craft firms, Bolzano;
- SDA Bocconi, Business management school of the Luigi Bocconi Commercial University, Milan;
- SITEA, Research and development strategies, Milan;
- Unione industriale (Union of industry), Turin.

We looked at two further publications in order to amplify the list of training establishments: an Inforcoop report on the training available for new business creation which examines 17 training projects and two ISFOL publications: *Formazione per i nuovi imprenditori* [Training for new entrepreneurs], Franco Angeli, 1988 and *Istituti di formazione in Italia e in Europa, rilevazione 1989* [Training institutions in Italy and Europe, 1989 survey].

The list of organizations offering training in business creation drawn up from these publications and the databank is probably exhaustive. The details given in the publications often do not include data on trainee numbers, business plans formulated and numbers of businesses actually launched. In order to obtain this information we interviewed the main training agencies, although practically none keep in permanent contact with the new businesses. It is therefore impossible to express any opinion on the vitality of businesses launched through course initiatives or on their impact on employment.

I. Training prior to business creation

- FORMAPER

Special agency of the Milan Chamber of Commerce.

The NOVIM (Training programme for new entrepreneurs) course was run ten times in 1989; each course was attended by an average of fifteen trainees giving a total of some 150 trainees.

The course lasts two weeks for a total of 36 hours.

The level of trainees, both aspiring and new entrepreneurs, is high: professional practitioners, small businessmen, employees and managers, students.

Selection takes place through an interview.

The basic course on business management looks at topics relating to the external environment, the market and the various company functions. The course therefore offers entrepreneurs help with the choices which they have to make during the start-up phase of the new business.

Part of the course is conducted using video teaching modules.

The course is funded by the Chamber of Commerce. Students pay LIT 300 000 + VAT.

30% of trainees put their business ideas into practice.

Key areas: Course organizers try to tailor the course as personally as possible to trainees by assigning tutors to them. The mixture of entrepreneurs who have already launched businesses and would-be entrepreneurs is felt to have caused a few problems.

In 1990, the course was split into:

- START course for aspiring entrepreneurs consisting of 66 hours of classroom teaching and 10 hours of personal tutoring for each trainee by a tutor. The working aim of the course is to formulate a business plan.
- NOVIM course for entrepreneurs in the first year of operation of their businesses consisting of 56 hours of classroom teaching looking in detail at business management topics.

- BIC Liguria

Training scheme for potential entrepreneurs or entrepreneurs wishing to diversify their businesses.
60 trainees attended the course in 1988; the theoretical stage lasts 12 weeks and is followed by a stage of individual counselling.

Selection is based on an evaluation of human resources, i.e. the propensity to establish and run a business of one's own and any technical or vocational skills possessed, and on an evaluation of the business plan.

The course is organized using a variety of training approaches. Classroom lessons, exercises, research, self-instruction, tests. The second stage of the course takes the form of personal counselling coordinated by a tutor assigned to each trainee.

The course is funded by the European Social Fund and the Liguria Region. It is free to trainees.

60 trainees all developed business ideas and diversification plans. 45 business plans were formulated, 20 relating to new businesses and 25 to diversifications. 8 new businesses have been launched: production of high-quality costume jewellery (2 employees); production of water heating plant using energy saving technology (3 employees); two catering concerns (with a total of 6 employees); tourism (2 employees); foodstuffs production (14 employees); engineering (10 employees).

Key areas: The allocation of a tutor to each trainee makes the training offered very personal. BIC Liguria did not offer training in 1989. 1990 schemes are currently awaiting approval by the European Social Fund. Training for business creation includes plans for a course for top and middle managers wishing to start a business.

- SDOA - Fondazione Antonio Genovesi di Salerno

The three Programma Impresa (Business Planning) seminars run between 1989 and 1990 were attended by some 60 trainees. The seminar lasts eight days for a total of 64 hours.

Trainees come from the following backgrounds: 40% managers or directors, 40% children of entrepreneurs wishing to diversify the family business, 20% young people.

Selection is carried out on the basis of potential entrepreneurs' qualifications, their training background and the type of business idea.

The seminar offers a basic review of market research techniques, investigation of the economic and financial feasibility of plans and an overview of national and European laws offering concessions.

The seminar is promoted and funded by FORMEZ and Confindustria. Trainees pay LIT 1 million.

10 business plans are being formulated. Funding under Law 44/86 will be requested for almost all the business ideas.

Key areas: The seminar organizers admit that this is not a genuine training course, but only a starting point making it possible to contact potential entrepreneurs and subsequently develop business plans. Differences in the starting levels of course trainees have raised some problems for teaching staff.

- ASSFORSEO - Formazione, Sviluppo, Occupazione, Rome

The Nuovi Imprenditori (New Entrepreneurs) course was run in 1988 in Calabria, Terni (Umbria) and Molise and in 1989 in Calabria and Gubbio (Umbria).

The course is organized in three modules: foundation skills and business culture, working out and developing project ideas, establishment of businesses and submission of funding applications. This is followed by an in-company work experience period.

The 100 young people involved in the course were all upper secondary certificate holders selected by tests and interview.

The courses are funded by the PIM (Integrated Mediterranean Project), the European Social Fund and in the case of Terni by the Umbria Region and the EEC. Trainees received a study grant whose amount varied on the different courses (from a minimum of LIT 2 million to a maximum of LIT 6 million).

Key areas: The course helps the young people through all the stages of thinking up a new business idea, putting it into practice and formulating applications for funding. In Calabria, Molise and Terni, businesses requested funding from the local regional law offering new business incentives. All the businesses were self-funded in Gubbio. The Gubbio course has had the highest success rate (out of the 10 trainees, 4 businesses are already in operation employing a total of 10 people).

The course promoters note that the long waiting periods between submission of applications for funding and payment of funds may prevent the new businesses from taking off. Another weak point is the lack of assistance during the start-up phase.

- INFORCOOP - Istituto Nazionale di Formazione Cooperativa

The Institute is run by the National Cooperative League and includes sixteen networked companies and training agencies. In 1989 it ran one of the Law 44/86 courses. It organizes courses aimed at the promotion of specific new cooperatives. In 1988, AGF (Agenzia generale di formazione - General training agency) ran a course for the creation of a cooperative in the service sector (computing, shorthand-typing) in Bologna. 15 unemployed trainees aged under 25 attended the course following selection through aptitude tests and interviews.

The course, funded by the European Social Fund, last 20 weeks with practical instruction in particular vocational techniques.

At the end of the course, all the trainees helped to launch the cooperative *Stenodata*.

A further course for the creation of a cooperative in the glass sector was organized in 1988; the initial technical module was supplemented by a second module covering topics linked to business management. This course, attended by 12 unemployed trainees, led to the company *Magia* employing three partners.

- SOGEA Sardinia

In 1988 the business management school organized a course for new entrepreneurs linked to Sardinian Regional Law 28/84 and funded by the European Social Fund.

The course, lasting 10 weeks, was attended by 15 young unemployed people aged under 25 who formulated business plans to be submitted to the Region in order to make use of the funds available under the Law.

The course, including 30 hours of classroom teaching, looked at a whole range of business topics (markets, commerce, finance, taxation matters, credit and legislation).

Five business plans were developed (typographical sector, catering, production of packaged goods, production of local speciality desserts, working of marble and granite). Course organizers note that the stage during which business ideas were thought out could have been better organized.

- ENFAPI - SOGEA Sardinia - BIC Sardinia

The course took place in 1989 after selection of the business ideas by the BIC. The 11 trainees formulated seven business plans during the six weeks of the course. Two businesses had already been launched and used the course for further information on business management.

At present, the businesses are all in operation (automation systems, administration and remote management with 5 partners and 5 employees; paper processing with 2 partners, 4 employees and 3 outside consultants; cosmetic production with 7 employees; extension of a craft firm producing machinery for the foodstuffs industry with 5 employees; a restoration centre with 23 employees; a company offering services for small and medium-sized enterprises with 3 partners and 4 employees).

The course organizers stress the importance of candidate selection; all the trainees were highly motivated as regards launching a new business.

- ISFID - Istituto Superiore Formazione Imprenditori e Dirigenti

The Institute is run by the Confederation of Small and Medium-sized Businesses and has offices in Naples. The New Entrepreneurs course was repeated in 1988 and 1989 with funding from the European Social Fund. It was attended each year by 44 people with higher education degrees and diplomas selected through psychometric/aptitude and logic/maths tests, a group interview and an individual interview.

The course, lasting 30 weeks, is split into a first part providing foundation skill training and a second part in which business plans are developed.

A service company has been launched as a result of the course.

- INECOOP - Istituto Nazionale per l'Educazione Cooperativa, Rome

The course for cooperative development agents was attended by 35 trainees.

The course, starting in 1988 and ending in 1989, lasted a total of 280 hours over 8 weeks.

Trainees are selected from young people with diplomas and classical lycée leaving certificates coming from cooperative establishments.

The course aims to produce a group of experts/consultants having the skills needed to develop business feasibility plans for new businesses. The legislation promoting new business, promotion and analysis of the sectoral market, internal management and investment and forms of organization and administration were studied.

The course was funded by the Ministry of Labour and is free for trainees.

Five of the many business ideas developed have actually been put into practice: 3 flower-growing businesses, an advanced service sector business and social services business, one located in Umbria and the others in the North.

Key areas: The promoters feel that the exacting objectives of the course and the receptivity of the group were the key factors in the venture's success.

- ISTAO, Istituto "Adriano Olivetti" di Studi per la Gestione dell'Economia e delle Aziende - AMA Project, Ancona

ISTAO activities focus on the training of managers to be placed in businesses and the development of the small business system. In 1987 it developed the AMA (Avviamento micro aziende - Small business launch) project run by two former students on the Masters course.

The project included awareness activities in schools and the establishment of an information service to help new entrepreneurs to tackle the many problems which beset new businesses during their first few years. The promoters of the AMA project wanted to involve regional trade associations in the information service as a way of finding funds and providing a free service. However, no agreement was reached. The unwillingness of young people to plan their own businesses contributed to the lack of success.

- ECIPA Lombardy - Ente Confederale Istruzione Professionale Artigianato

The computer graphics course was organized in 1988 with funds from the European Social Fund and was attended by 15 people with diplomas selected by test and interview.

The aim of the course was to provide technical skills in the new technologies in use in the printing and publishing industry (desk-top publishing) with the subsidiary aim of new business creation. A computer literacy course of some 100 hours was followed by the vocational modules including three-week apprenticeships in companies in the industry. The last two modules looked in greater depth at marketing and business management topics.

Twelve business ideas were developed, four of which were actually put into practice with the help of partners already having considerable professional experience in the printing industry.

Key areas: The organizers note that the course was for young people aged up to 25, while the businesses were launched as a result of help from older partners. They stress, therefore, that age limits on this type of course are an obstacle to business promotion.

- Law 44/86 (see Chapter 5)

Under the De Vito law, a training course is conducted after the financing decree. Two representatives from each business are invited to Rome for one week per month for five months. The course programme is split into five modules: formulation of the business operation plan in order to develop skills in the areas of operational planning, economic and financial budgeting and planning of the key factors in success and the resources needed; management auditing to improve diagnosis and self-evaluation techniques; commercial operation plans and analysis of competitors; production management; personnel organization and management.

Practical training periods are organized in course participants' businesses between the first and second and the second and third modules.

II. Training after business creation

- BIC Trieste (see Chapter 5)

The business training course is reserved for businesses already accommodated by the BIC.

It was attended in 1990 by 17 trainees, including entrepreneurs and employees with organizational duties.

The course lasts 29 weeks. It is split into groups of lessons during the day on Fridays and Saturdays. Topics relating to organizational and management culture, strategy, administration and finance, management auditing, marketing and quality control are examined.

Key areas: The comparable level and involvement of the participants were the main factors in the success of the course. The decision to run the course at the end of the week was also crucial as it cut down the time which trainees needed to be away from their businesses.

- ASSEFOR

The Chamber of Commerce Association for the promotion, counselling and training of small and medium-sized businesses operates as a service centre for Chambers of Commerce and organizes business creation schemes as part of its entrepreneurial and management training.

1989 saw the establishment of the New Business Service, an information, guidance and training facility for anyone interested in launching new business ventures. The Service has planned a New Entrepreneurs course in the form of a short training session (lasting 5 to 8 days) aimed at aspiring or new entrepreneurs. Two introductory days are also planned during which topics relating to the choice of legal form and the bureaucratic procedures which have to be completed during the start-up phase of the new business will be examined.

The course is open to 15-20 trainees on average; no candidate selection procedure is envisaged. The course is funded by the Chamber of Commerce organizing it and trainees pay a modest fee.

The ASSEFOR Project for 100 new entrepreneurs, lasting three years, was launched in 1990. 300 would-be entrepreneurs will be selected for the Project and numbers will gradually be cut down. During the first year it is planned to evaluate whether business ideas are in keeping with the human and financial resources available to candidates and the market potential of the product or service. This will be followed by an open learning stage using flexible systems to allow the development of the business plan and the launch of the new business.

- ECIPA Lombardy

The course for junior managers of craft firms was organized in 1989 and attended by 12 children or relatives of craft entrepreneurs.

The course, funded by the European Social Fund, lasts 600 hours spread over 15 weeks. The aim is to train young people to take over craft mechanical engineering firms in Milan. The course content was largely of a management training type, although one module dealt with technology.

All the trainees formulated plans for innovation and development of their existing family firms.

Key areas: Including innovation in firms yet to be launched raised some problems, but the young people remained in contact with the training agency and made the most of help from experts on organization and administration who monitored the development of business plans step by step.

III. Encouraging the spirit of enterprise

Awareness campaigns in schools are not coordinated by the Ministry of Education. There is not even an official document setting out guidelines on educational guidance in this area. Each Directorate General of the Ministry (lycées, technical colleges and vocational training colleges) has complete autonomy and plans its own schemes independently without any dialogue or coordination.

At local level, awareness campaigns in individual schools may be conducted with the authorization of the head of the school or the Provincial Director of Education without any need to inform the central Ministry.

It is not therefore possible to give a full picture of the awareness activities carried out in schools in Italy. Two national measures have been planned: the *Imparare e intraprendere* (Learn to be an entrepreneur) project being studied by ISFOL and *Project 92* which is currently being launched with the assistance of the Committee administering Law 44/86.

Both projects aim to challenge widely held assumptions in areas with the highest levels of youth unemployment and make young people aware that permanent jobs are not the only option.

Many local ventures have been launched by entrepreneurial associations and Chambers of Commerce in particular and have had considerable success. In Sardinia, young people from a number of technical colleges were asked to fill in a questionnaire to find out whether they were prepared to embark on their own businesses. The results were encouraging: almost 30% of the young people had already thought about self-employment ventures.

Although similar results were obtained in other areas of Southern Italy, there seems to be less enthusiasm for self-employment in areas of the country with lower unemployment levels as shown by the failure of the AMA Project in Ancona (see paragraph I of this chapter).

IV. Evaluation of effectiveness - strong and weak points of training schemes

As mentioned above, most training schemes lose touch with businesses during their actual start-up phase: the training course ends with the development of the business idea or the drafting of the business plan. It is consequently difficult to assess the efficiency of training schemes in relation to the number of businesses created and their vitality.

Course organizers stress, however, that business creators are increasingly making an effort to keep in contact with the training agency even when the course has ended.

Some of the needs which courses are attempting to meet emerged from interviews with trainers:

- need for flexibility in training modules in order to meet trainees' individual needs;
- reduction of basic training in the classroom and expansion of the specialist counselling stage tuned to the needs of individual trainees;
- the problems raised in the classroom by mixtures of young people with no work experience and managers or entrepreneurs who have already launched businesses;
- the need for a far-reaching change of mentality among young unemployed people. Total immersion or residential courses have a more successful impact in this area;
- the importance of monitoring trainees during the start-up of a new business, providing refresher days and putting entrepreneurs in touch with the specialist consultants who they need;
- logistical problems often have very adverse effects on the potential for success. For this reason it is always important to link up training courses with local facilities able to accommodate fledgling businesses.

CHAPTER 4 - THE ENTREPRENEUR

The paucity of studies of new businesses means that little information is available on the profile of the business creator. Specific studies of particular areas or business creation initiatives provide the only information available. The regional laws funding new businesses do not keep in close contact with the businesses which they fund and there is no research providing a general picture of business creators. A CentoSud study comparing businesses created under Law 44/86 with those funded by regional laws in Southern Italy has, however, highlighted a number of differences.

The educational level of entrepreneurs differs for instance. 34.3% of young people involved in the sample businesses funded under Law 44/86 were graduates; the percentage drops to 13.7% in the businesses funded in the southern regions with ordinary statutes and 7.4% in Sicily and Sardinia. Most new entrepreneurs have upper secondary school certificates (45.7% of young people under Law 44/86, 38.9% in Sicily and Sardinia, 57.8% in the other southern regions). The lowest educational level is to be found among entrepreneurs obtaining funding under the regional law in Sardinia: 58.6% of those interviewed possessed only lower secondary school certificates, which can be explained by the high numbers of agricultural businesses funded in Sardinia. The main aim of public business creation programmes, particularly in Southern Italy, is to reduce unemployment. Reliable data on the spread of the "unemployed business creator" who moves from a permanent job to set up as an entrepreneur are not, however, available. Potential ways of encouraging this transition have been studied, especially in areas affected by major re-organization: chemicals in Sardinia (INSAR) and iron and steel in Campania (SPI, GEPI). It is too early, however, to assess the findings of these studies.

Law 44 presents a different picture. While the law is open to all young entrepreneurs aged up to 29 (and possibly beyond this limit for minority holdings in companies and cooperatives) with no differentiation between the employed and unemployed, there is little doubt that many young people with upper secondary and higher education certificates and diplomas looking for their first jobs have been financed out of Law 44 funds.

The picture of "business creators" in a strong area of the country such as Lombardy presents a number of differences. A survey conducted in April 1990 by FORMAPER on the creation of new service sector businesses in the Milan area shows a much higher educational level. In the sample of businesses interviewed, 64% of entrepreneurs had upper secondary school certificates (almost all from technical colleges) and 19% had degrees. The most innovative businesses had been set up by entrepreneurs who were already self-employed while the more traditional, family-based service concerns had been set up by people in employment. Only 21% of new entrepreneurs had attended training schemes in Lombardy. It is felt that so few people had attended training because of inadequate publicity about the opportunities available and the failure to make would-be entrepreneurs aware of the need for specific training.

CHAPTER 5 - TRAINING FOR BUSINESS CREATION: THREE SUCCESSFUL CASES

I. Law 44/86

Law 44 of 26 February 1986 on the promotion and development of a spirit of enterprise among young people in Southern Italy is a vast scheme to which the Italian government has allocated LIT 2700 billion (including 500 billion of re-financing). It is a highly innovative enterprise creation programme which has involved some 4500 people (80% aged between 18 and 29) resident in the regions of Southern Italy: Abruzzo, Molise, Campania, Apulia, Basilicata, Calabria, Sicily and Sardinia and the provinces of Latina, Frosinone, Rieti and Rome; by 30 June 1990 600 businesses had been created, 400 of which have already been approved for State funding. About half of these businesses have already come into operation.

The 600 projects approved entail investment of some LIT 1645 billion and the creation of some 12 300 jobs, i.e. an investment per employee of LIT 134 million. Most projects (312) are in industry, with 132 in agriculture and 156 in the service sector.

Statistics show that women account for 30% of project proposers, a percentage which is felt to be fairly good by the experts given the traditional way in which women's roles in the family and at work are viewed in Southern Italy. An interesting development highlighted by the law is that new women entrepreneurs are not just active in the traditionally feminine sectors but also in innovative, technologically sophisticated fields requiring a considerable spirit of enterprise and a high level of skill.

The educational level of aspiring entrepreneurs is also good: 40% possess higher education diplomas, a further 50% upper secondary school certificates and only 10% left school after compulsory education.

The law's success is due to a number of innovative mechanisms implemented at the application selection stage and during the launch of ventures. Entrepreneurs wishing to obtain the grants set out in Law 44/86 (see chapter 2/II) must prepare a genuine business plan including forecasted balance sheets and profit and loss accounts for the first three years, location details and training and vocational skill needs. A number of services supplied free of charge by the Committee administering the law or by consultants appointed for this purpose are available to provide help for applicants during this stage. The most interesting services include the network of information services covering all the provinces of Southern Italy, the publication of standard plans to which reference can be made when compiling one's own plan and the possibility of interviews with experts on particular topics. Once approved, the plan is submitted to the Ministry for Southern Italy which decides on funding. At this point the training and technical assistance services which accompany the fledgling businesses during their start-up phase are set in motion.

Training - The basic training course designed by the Committee is compulsory and free of charge. Two representatives of each business (the businesses themselves decide who to send; in most cases those people responsible for managerial tasks) must attend the lessons held in Rome. On 30 June 1990, 26 courses had been or were being run (18 of which had been concluded) involving 600 participants from 267 businesses in 588 days of training.

The course is split into five modules, each lasting a week, given once monthly for five consecutive months:

Module 1 - The business operation plan. This module is intended to develop skills in the areas of operational planning, economic and financial budgeting, planning of the key factors in success and the resources needed;
Module 2 - Management auditing. This is intended to improve diagnosis and self-evaluation abilities and to provide the skills needed to plan a personal auditing system.
Module 3 - The commercial operation plan. This centres on an analysis of the outside environment and competitors and helps to develop commercial planning strategies.
Module 4 - Management of operational/production activities. This module is designed to optimize raw material and product flow management and to develop a basic quality control system.
Module 5 - Organization, personnel management, tax matters. This module helps to interpret organizational choices and pinpoint methods of dealing with partners and employees.

Participants are asked to undertake a practical exercise in their businesses between modules 1 and 2 and modules 2 and 3 so that the business planning topics discussed in the classroom can be put into practice. For this purpose, participants have to prepare either as actual or forecasted figures: expected trading results, marketing measures and resources to be used and economic, financial and accounting positions. The exercises are discussed in the classroom during the next module.

The programme for new entrepreneurs developed by the Committee experts has been tailored to the types of business funded under Law 44 (small and medium-sized businesses) whose majority partners aged between 18 and 29 are (almost) all embarking on their first experience of running a business.

It order to bring it as far as possible into line with the needs of these new entrepreneurs, corrections and additions were made during the first few courses, involving the trainees themselves who are asked to assess each module. Results have been very satisfactory since 80% of participants have given very positive assessments at the end of the course. The whole of the theoretical side centres on the resolution of practical cases brought up for the most part by participants. Lessons by instructors/consultants start with an examination of a practical case and move on to topics of general interest. In this way trainees not only acquire the basic theory needed to run a business but also start to tackle the practical problems raised by their own businesses.

Lessons, which take place all day, allow young people to exchange views with colleagues, often competitors, from other regions, placing their work in a much wider context. It is also possible to make daily contact with the instructors, acting as consultants in this case, who come from the top management training schools in Italy making it possible to forge ties which may in the future be useful for the business. The Committee appoints course instructors from ISVOR-Fiat, SDA-Bocconi, CUOA, IPSOA and IAFE-ENI.

At the end of the training course it is felt that participants have acquired the basic theoretical and practical skills needed to manage their businesses. Subsequent monitoring of the practical application of the notions acquired and any corrective measures are the responsibility of the tutor.

Technical assistance or tutoring - The Committee assigns a tutor to the new business as soon as its starts to trade. Tutors include firms specializing in the same sector as the new business (in most cases leading national and international firms) or consultancy companies specializing in business management and organization. Tutoring lasts for twelve months. During this period the tutor's task is to help to solve any problems emerging during the practical application of the plan and to ensure that production activities and personnel organization are correctly approached.

Tutor businesses are selected by the Committee on the basis of a report drafted after analysing the plan and visiting the fledgling business and setting out the technical assistance programme to be carried out. Once the agreement with the Committee has been finalized, tutors undertake to report back every two months on the progress of the programme. This allows the Committee not only to monitor the tutor's activity but also provides it with a detailed periodical report on the progress of each business funded. Although new entrepreneurs themselves suggest tutors to the Committee in some cases, these tutors have to provide the same guarantees.

Every tutor provides an average of a hundred or so hours of technical assistance and training. In cases where relations with tutors have been correctly established, i.e. their activities are not seen as an imposition or as some kind of control by the Committee but as a way of having a superconsultant who is available 24 hours a day, results have been excellent. In some cases the tutor relationship has developed into a partnership and in other cases it has allowed the fledgling business to gain a foothold in the market without any problem, locating outlets not covered by the plan.

In most cases, according to tutor firms and new entrepreneurs, technical assistance is not just used to solve overall problems of strategy, but to tackle the everyday problems encountered by the business ranging from relations with suppliers to relations with customers, unreliable employees and unexpected tax demands.

The Committee has said on many occasions that tutoring is one of the trump cards of Law 44, one of whose aims is to reduce the failure rate of new businesses during the start-up phase. The stated aim of the law is to ensure the survival of at least 60-70% of the businesses funded. On 30 June 1990, the Committee had entered into 260 tutoring agreements.

Law 44/86 projects approved on 28 June 1990

	Absolute values	Average values per project	Percentage composition
Number of projects	599	-	-
Number of employees planned	12 277	20.5	-
Number of proposer partners	4 512	7.5	100.0
- Minority partners	1 168	1.9	25.9
- Majority partners	3 344	5.6	74.1
- Corporate bodies	59	0.1	1.3
- Individuals	4 453	7.4	98.7
- Women partners	1 369	2.3	30.7
- Men partners	3 084	5.1	69.3
Total investment (LIT millions)	1 645 134	2 746.5	-
- Investment per employee	134	-	-
- Investment per partner	365	-	-

Source: Committee for the development of new enterprise among young people

Law 44/86 - Projects approved by Region in terms of proportion of women partners

Region	Women partners	Men partners
Abruzzo	46.9	51.5
Lazio	30.6	68.0
Calabria	29.6	69.6
Sicily	29.2	39.9
Sardinia	28.7	67.3
Basilicata	26.8	71.8
Campania	26.8	71.7
Apulia	23.0	76.1
Molise	22.2	76.4
Marches	20.9	76.9
Tuscany	12.5	87.5
TOTAL	30.3	68.4

Source: Committee for the development of new enterprise among young people. Partners in the form of corporate bodies make the figures up to 100.

Law 44/86 - Technical assistance and training for businesses already being funded

Tutoring	
Links established	390
Agreements finalized	260
Tutoring completed	24
Basic course	
Courses organized	26
Courses concluded	18
Businesses involved	267
Participants	600
Number of teaching days	588

II. The Umbria PIM

Training schemes linked to the creation and development of new business ventures come within the job creation programme set out in the Umbria PIM (Integrated Mediterranean Programme) in effect from 1 January 1988 to 31 December 1992. The programme involves the establishment of facilities and the provision of the services and assistance needed for the promotion and launch of new businesses. The first cycle of courses ended in December 1989.

This is a public project intended to make the most of local resources for new enterprise in those areas covered by the Integrated Mediterranean Programme in Umbria, most of which have been affected by major restructuring crises (Terni, Spoleto, Narni) or substantial production streamlining (Gubbio, Gualdo Tadino) or where there are major needs for development and diversification away from agriculture (Orvieto, Lake Trasimeno, Appennine area).

The job creation programme can be broken down into four stages:

1. selection, promotion and training of potential entrepreneurs, formulation and investigation of business plans and their subsequent evaluation;
2. establishment of a medium-term credit guarantee fund to finance the new businesses;
3. provision of suitably equipped facilities acting as incubators and accommodating the new businesses during their start-up phase;
4. provision of services and technical assistance for the new firms during their start-up phase.

The first stage, which includes business training, covers those activities needed to encourage the creation of new businesses as far as the business plan formulation stage and is structured as follows:

- local promotion of new business ventures, through information services and awareness campaigns. Five information services are currently operating in five different areas of the region (Terni, Spoleto, Trasimeno-Orvieto, Gubbio and Todi) selected on the basis of criteria of economic and social comparability;
- selection, assistance in planning the new venture and training of potential entrepreneurs;
- motivation of local agencies and resources able to provide the new businesses with technical and financial help.

These activities are carried out by specialist agencies selected by the Regional Council according to criteria of experience and professional ability and hired under renewable two-year agreements. Agreements have been reached with five agencies: ANCIFAP, ASSFORSEO, MEET, Promosviluppo and SPIME. Each is active in one of the five areas and uses its own methods based on the economic and social characteristics of the area for which it is responsible.

The resources allocated at this stage are used to finance information service activities, campaigns to motivate local centres (largely staff costs and information and advertising costs) and training activities.

Following training and the formulation of a business plan, each business project is evaluated by a technical committee appointed by the Regional Council whose task is to evaluate the project according to standard procedures and criteria of priority in keeping with the aims of the PIM, for the purposes of entry into the incubators, and to carry out a general technical assessment of job creation.

Business and high-level skill training - Training has been designed so that it is strictly in keeping with the aim of business creation in the small and medium-sized industrial and craft sector and in the advanced service sector.

The scheme covers three different groups: new entrepreneurs, operators employed by service, research and experimental facilities and technicians, specialist managers and experts in new business management.

Training back-up during the start-up phase accounts for the largest proportion of the project. The cost of this activity is valued at some LIT 9000 million (ECU 5627 million) for the whole period between 1988 and 1992 and covers the training of 257 entrepreneur candidates, with a unit cost of LIT 35 million per project and a duration of 1200 hours.

As regards the acquisition of expertise by service facilities, the project includes integrated training modules at the Agri-foodstuffs Technology Park and the Higher Institute for Materials. Funds for this training are aimed at the acquisition of the specialist knowledge needed for the development of these two facilities set up under the PIM and consequently relate to high-level operators who may be sent abroad for part of their training. The average cost per technician trained is some LIT 40 million, with a total expenditure of LIT 2000 million.

Funds of LIT 1500 million have been allocated to train 75 technicians, specialist managers and consultants to provide services for small and medium-sized enterprise on courses lasting 1000 hours in public and private institutions in the following fields:

- technological innovation;
- informatics and telematics;
- finance and auditing;
- market research;
- national and international marketing;
- feasibility studies.

This is supplemented by funding of LIT 3070 million for the training of specialist technicians for placement in businesses, split between courses for business managers, high-tech technicians, energy technicians and financial experts (some 85 technicians trained).

Candidate selection and course organization - The agencies entering into the agreements have full control over the administration of training courses, both at the selection stage and as regards the formulation of course programmes, but abide by general criteria such as the alternation of business plan formulation and study and training stages for the new entrepreneurs.

Our description of candidate selection procedures and programme content centres on the activities of MEET, a Perugia company, operating at national level. Under the PIM project, MEET is responsible for the Spoleto area which has been affected in recent years by de-industrialization and production restructuring.

Candidate selection takes place through a series of interviews and tests. At an initial interview the business idea is discussed and the applicant's work experience and education are assessed. The motivation and actual ability of the applicant to launch a new business are then investigated through both interviews and psychometric and aptitude tests.

A final opinion on the acceptance or rejection of the candidate is reached after analysing the overall results of the various .tests. The selection parameters used give priority to a range of personal characteristics such as positive attitudes, willingness to continue learning, ability to manage different relationships and sense of independence. The business idea takes second place at this stage.

Successful candidates must by law satisfy specific requirements relating to age (under 25, higher in the case of graduates) and education (minimum requirement: upper secondary school certificate).

The six-month, full-time courses for potential entrepreneurs take place in residential centres outside the region, which helps to separate trainees from their family environment and thus to absorb a new entrepreneurial mentality.

Teaching modules alternate classroom teaching with training on research (in the field). Modules are broken down as follows:

1. Positioning: consistency between products and markets;
2. Dimension: consistency between products and production;

3. Business formula: consistency between markets, products and production;
4. Medium-term plan: consistency between costs and revenue.

Various teaching methods are used when trainees are undertaking field work (group research work; participation in technical fairs or congresses relating to the sector or area; work experience periods with expert entrepreneurs from firms already trading in related sectors; guided visits to research centres, businesses and economic operators; distance learning techniques; individual counselling sessions with market, product or process experts; individual study for the drafting of reports, information sheets and feedback documents for lecturers and tutors; follow-up in small groups with a tutor who picks up particularly complex topics and examines them in greater depth). Instructors come from various backgrounds: trainers, lecturers, experts and practitioners.

III. BIC Trieste

Set up in May 1986 by SPI (Società per la promozione imprenditoriale del gruppo IRI - IRI group company for business promotion) and the regional financing company of Friuli Venezia Giulia (Friulia), the Business Innovation Centre in Trieste came into operation in the first few months of 1989.

The BIC is a business incubator along the lines of the EEC model able to accommodate new businesses during their start-up phase and provide them with a full range of common and individual services. People contacting the BIC to develop their business ideas may receive capital loans of 20% of fixed investment and 50% of operating costs from regional allocations (Regional Law 45/86) and funds of up to LIT 5 billion from SPI and grants awarded by the EEC.

BIC Trieste occupies a covered area of 8000 square metres and currently accommodates 16 businesses as well as its central offices and services (telecommunications, exhibition room, meeting room, management services, legal services, patent protection, acquisition of complementary technology, marketing and financial services). The size of units available to entrepreneurs varies from 40 to 250 square metres and each unit is equipped with independent power, water, gas, telephone and telematics plant and security systems.

The partners promoting BIC Trieste have decided to focus on businesses whose products and management and organization are highly innovative. This decision was conditioned to some extent by the centre's location on the borders between East and West, i.e. between EEC markets and the markets of the East, in an area which has a local industrial hinterland, but which has seen large-scale public industry hit by recession (iron and steel, shipbuilding, vehicle manufacture). The area also has a good communications infrastructure and strong links with universities and research centres (Sincrotone research zone in Trieste, UNIDO's IECGB laboratory) and financial and tax incentives are readily available.

The businesses in BIC Trieste are all highly innovative, operating in the informatics, biotechnology, biomedicine, pharmaceuticals and agri-foodstuffs sectors; in most cases entrepreneurs are from scientific research circles.

The training course offered by BIC Trieste has therefore been designed to meet the specific needs of the businesses which it accommodates. One of the main requirements of the new businesses, once their innovative idea has been put into practice, is the acquisition of specific management skills allowing them to manage and organize their business as well as possible in the short period before they leave the BIC. For this purpose, the BIC has decided to launch a training system operating on several levels. The first level, already in operation, is a service specific to the firms associated with the BIC while the second, which has been planned and will be launched in 1991, has a wider context and aims to involve young and future employees of the businesses who wish to qualify as managers.

The business training project, already launched, has been designed and supervised by the BIC's Director General and is open to all associated businesses. 17 new entrepreneurs and employees with organizational duties took part in the first course. Lessons are organized in two separate modules to take account of everyone's particular duties in their own businesses. Eight people took part in the first module which was held twice a month on Friday and Saturday afternoon; a further nine people took part in the second module which was run once a month for the whole of a Friday and Saturday. Each module includes 144 hours of theory and 150 hours of practical work and is supplemented by English courses lasting two and a half hours per week.

The course programme, taught by expert business consultants chosen by the BIC, is split into eight segments:

1. Business management and organization culture, 16 hours;
2. Business strategies, 16 hours;
3. Administrative and financial management methods, 32 hours;
4. Management auditing, 8 hours;
5. Production organization (brief review), 16 hours;
6. Quality control, 16 hours;
7. Human resource management (this is a particular topic which is rarely tackled on this type of course. It was included in this course to meet the specific needs of the businesses operating in BIC Trieste), 24 hours;
8. Sales, commercial organization and marketing (review), 16 hours.

The individual businesses carry out practical exercises throughout the theoretical teaching (150 hours).

The particular nature of the course is due to the type of participants: mostly young science graduates who have no previous entrepreneurial experience; there are only a few former manufacturing industry employees or expert technicians from various sectors. The course has only a short period to provide participants with the resources needed to develop their businesses when they leave the BIC and have to rely on their own abilities. Considerable time is devoted to comparing individual experiences throughout the course. This has made it possible to transfer the most positive management and production methods from one firm to another.

The second training project which BIC Trieste intends to launch in 1991 with the assistance of the Friuli Venezia Giulia Region and funding of approximately LIT one billion from the European Social Fund is aimed at a group of 30 young people (selection procedures have not as yet been finalized), including 15 new graduates aged under 29 and 15 diploma holders aged between 18 and 25. The course aims to provide the specific professional expertise which these young people will need to find jobs at management level in businesses.

The project is structured in three parts, lasting a total of 1048 hours. The first part, attended by all the trainees, is theoretical and multi-disciplinary and offers practical training in informatics. During this module trainees will have to decide which vocational area is most in keeping with their skills and decide which module they are subsequently going to attend. The second stage is consequently more specialist and is structured around three groups of subjects: administration/finance, production organization and marketing and commerce. Work experience periods in businesses in the area are planned during the final stage of the course.

The course has a dual aim: to tie in BIC activities with the regional production fabric and the school and university system in the province of Trieste and to tackle the increasing demand for qualified managers from businesses, especially those preparing to leave the BIC.

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E.S.P.A.C.E

Inter Initiatives

SUPPORT POLICIES FOR BUSINESS CREATION
IN FRANCE, ITALY, SPAIN AND THE UNITED KINGDOM

Summary Report

ETUDES ET SERVICES POUR LA PROMOTION DES ACTIVITES CREATRICES D'EMPLOIS

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INTRODUCTION

During the 1980s, some 15 million Europeans set up their own businesses. Barely half of these are still operating; however, they accounted for almost a third of the new jobs created during this period.

Business creation has thus become a phenomenon on a massive scale, making a powerful contribution to the renewal of the economic fabric of the European Community.

Business creation is essentially the act of an individual who accepts the challenge of piloting his own enterprise through the rough seas of the market - a task for which he is often ill-prepared; hence the number of failures, accidental or otherwise.

Aware of the implications both for employment and for the individual entrepreneur, several countries have adopted policies designed to support business creation, introducing measures and instruments to facilitate access by prospective entrepreneurs to the resources they need and - especially - to the know-how indispensable for the successful conduct of a business project.

These support policies differ appreciably from one country to another: it is therefore of interest to compare some of them, examining existing training schemes and advisory services to elicit ideas for improving instruments and programmes.

This work has already begun in four countries: Spain, France, Italy and the UK. In each of these countries, a report has been prepared by an expert in this field giving an overall picture of the situation as regards business creation, cataloging aid programmes and the activities of training bodies and listing the salient factors in the success of entrepreneurs.

This study is a synthesis of the four national reports, supplemented by an analysis of some of the themes tackled.

A second phase of this work is planned. A meeting of experts from nine EEC Member States and representatives from Eastern European countries was held in Berlin in June 1990; as a result, it became possible to extend the field of investigation to other countries. Considerable interest was also expressed in a proposed action research project designed to identify and evaluate the best European advisory and training programmes for entrepreneurs to enable valuable lessons to be drawn for all - including the countries of Eastern Europe.

The present study, therefore, is also in a sense an introduction to this second phase. It comprises four chapters dealing with the following subjects:

- the phenomenon of business creation,
- aid programmes,
- courses offered by the training bodies,
- the successful entrepreneur.

The final section sets out the conclusions and recommendations of the study.

Chapter I

THE PHENOMENON OF BUSINESS CREATION

The available data on the phenomenon of business creation in the four countries covered by this study are often incomplete and sometimes inaccurate, for a variety of reasons of which the following are examples:

- the difficulty, in the UK, of taking "micro" businesses into account, since registration is not obligatory for those with an annual turnover of less than £ 25 000;
- the confusion in certain countries, such as France, regarding the definition of the term "entreprise" (business): some of the latter are considered merely as "établissements" (establishments), while others are subsidiaries of existing groups.

For these reasons some degree of error must be accepted, and it has to be admitted that publicly available statistics may be subject to some doubt.

Nevertheless, these statistics enable us to appreciate the scale of this phenomenon, identify the principal trends and carry out a useful analysis: this will be the subject of this first chapter.

1. Trend in the number of new businesses established

The available figures are summarized in the table below.

Number of new businesses ('000s)

	1980	1985	1986	1987	1988	1989
France[1]	177	185	202	212	216	207
Italy		270	291	298	298	284
Spain (companies only)		35	41	46		
UK						400-500

Statistics regarding the number of self-employed workers[2] in Spain and the UK are set out below.

Number of self-employed workers ('000s)

	1980	1985	1986	1987	1988
Spain: total- of which with employees	2 459 (394)	2 454 (339)	2 421 (349)	2 592 (388)	2 609 (398)
UK	2 050	2 600	2 680	2 850	3 100

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[1] These figures do not include the numbers of businesses taken over (about 60 000 per year).

[2] 'Trabajadores autonomos' in Spain.

Remarks:

The number of new businesses established rose steadily in France and Italy until the end of the 1980s and then fell off slightly in 1989; we cannot yet say whether this decline will continue.

Over the same period, the number of self-employed workers rose by over 50% in the UK, but remained fairly stable in Spain, where in any case it accounts for a higher percentage of the working population.

In France and Italy, about 1% of the working population set up their own businesses every year. On this basis, and assuming an average working life of forty years, by simple extrapolation it would therefore appear that 40% of the working population set up in business at some time during their working life. This figure is certainly an over-estimate, especially since the same person may found more than one business. Nevertheless, the proportion of the working population who have - or will - set up a business may be estimated at over 20%.[3]

More than one worker in five will thus be directly concerned, today or in the future, by any measures taken to facilitate access to training, advice, or the resources necessary to set up a business.

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[3] Assuming that the average entrepreneur founds two businesses (which is perhaps exaggerated).

An extrapolation of the French and Italian figures to all countries of the EEC gives a total annual figure for the number of new businesses established exceeding 1 million (the real figure could even be as high as 1.5 million).[4]

2. Sector by sector analysis

The distribution of new businesses among the various sectors of activity, as it appears from published statistics in the four countries under examination, exhibits differences so striking as to cast doubt on the possibility of making valid comparisons. The following are the raw figures we have available for the year 1988:

% distribution by sector of activity of newly established businesses

	France	Italy	Spain
Industry	9.0	26.2	30.0
Building trades	12.6		
Commerce	27.9	22.6	
Services	50.5	21.9	54.0
Agriculture		2.0	
Other		27.3	16.0

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[4] Including 330 000 in Germany, at least 400 000 in the UK, 300 000 in Italy, 200 000 in France (+ 60 000 taken over), 25 000 in Denmark, etc.

In the UK, businesses with an annual turnover of less than £100 000 are distributed as follows:

Industry	5%	Commerce	17%
Building	11%	Services	64%
Transport	3%		

In France and the UK, over three-quarters of the small businesses set up (France) or in existence (UK) are active in the commercial and service sectors. The corresponding figure seems to be lower in Spain and Italy, where the proportion of new businesses in the industrial sector is higher. However, in view of the inaccuracy of the statistics this conclusion must be treated with reserve.

3. Breakdown by legal structure

Sole proprietor businesses - i.e. those in which an individual practices a trade on his own account - and companies, whatever their precise legal status, may usefully be distinguished. Unfortunately, this distinction cannot be made in every country. The available figures for 1988 are given below:

% distribution by sector of activity of newly established businesses

	France	Italy	UK (estimate)
Companies	38.5	36.6	45
Sole proprietor businesses	61.5	63.4	55

In Spain, 90% of entrepreneurs applying for the "Pago Unico"[5] opt for the status of self-employed worker (Trabajador autonomo).

In all four countries the majority of entrepreneurs are therefore persons setting up on their own account, which does not mean that they may not employ others: this is the case, for example, of about 15% of the "Trabajadores autonomos" in Spain.

4. Success or failure of new businesses: the impact on employment

The information available regarding the progress of newly established businesses is limited and must be treated with reserve. For instance, to establish the percentage of businesses founded during a given year and still active two or three years later those businesses must first be identified,[6] and a survey made subsequently to catalogue those still active. Surveys of this kind are still rare: we shall base our comments on those carried out in the UK and France.

Further, the expression "failure rate" should be treated with caution. In reality, a certain number of businesses are closed by their founders simply because the latter have found salaried employment which they find more attractive. Conversely, some entrepreneurs make financial sacrifices to maintain their businesses in being, although drawing only a modest income often lower than the minimum guaranteed wage.

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[5] This is a subsidy granted to unemployed entrepreneurs and returning emigrants, on certain conditions.

[6] Which is not always possible.

"Success" and "failure" are not therefore necessarily synonymous with the closure or otherwise of the business.

Subject to these reservations, we can examine the results of studies carried out in the UK and France to determine what is conveniently known as the "failure rate" (bearing in mind the preceding remarks) and the contribution to employment made by new businesses.

4.1 Failure rates

The following table shows the failure rates in France and the UK for businesses in existence for from one to ten years:

	1 year	2 years	3 years	8 years	10 years
France (Source: INSEE*)	20%	30%	38%	60%	
UK (Storey et al, 1989; Cornforth, 1988)			40%		60 to 65%

The figures recorded in the two countries are almost identical, which tends to confirm their reliability.

* INSEE = National Institute for Statistics and Economic Studies.

A study carried out by ESPACE[7] in 1989, covering a sample of 1 157 businesses set up with its help, showed that the failure rate was influenced by various factors.

These factors are the following:

(a) Training in business creation sharply reduces the failure rate: after three years this rate was only 16.5% for businesses whose founders had followed a course of this type, compared with a national average figure of 38%.

(b) Educational level. The higher the entrepreneur's educational level, the lower the failure rate. By comparison with the national average:

- those without qualifications have a 3.5 point handicap,
- those with the baccalaureat + two years of higher education have a 6.5-point advantage and those with the baccalaureat + four years of higher education have a 13-point advantage.

(c) Vocational experience in the chosen sector reduces the failure rate sharply, with a 9-point advantage for those with ten years' experience or more.

(d) The sector of activity chosen also influences the failure rate, the latter being higher in the commercial and service sectors than in industry.

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[7] ESPACE is a federation of associations providing advice and training for entrepreneurs setting up businesses in the Nord-Pas-de-Calais region (France) since 1980.

This phenomenon may well be due to the fact that it is easier to withdraw from an activity in which the investment has been relatively low.

4.2 The contribution made by new businesses to employment

The small business population is highly volatile, given the "birth" and "mortality" rates referred to above. Nevertheless, small businesses account for the greater part of the increase in the employment level in both the UK (studies by Gallagher and Bannock) and France (studies by the ANCE* and the INSEE).

In France, businesses set up from scratch provide employment for an average of 2.6 persons (including their founder) 18 months after their establishment, according to an INSEE study, while according to ESPACE these businesses employ an average of 3.66 persons after three years. Multiplying these figures by the total number of businesses still active, we obtain the following results:

- two years following establishment: 207 000 businesses x 70% x 2.6 = 377 000 jobs
- three years following establishment: 207 000 businesses x 62% x 3.66 = 470 000 jobs.

Since the number of jobs created every year in France is around 1.2-1.5 million, it will be seen that about one third of this figure is due to business creation.[8]

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* ANCE = National Business Development Agency.

However, the contribution made by new businesses to employment is very unequal. The ESPACE study cited above shows that of 100 new businesses still in existence after three years:

- 47% employed only one person, accounting for 13% of the total number of jobs in the sample;
- conversely, 6.75% of the businesses, which employed ten or more workers, accounted for 45% of the total number of jobs. Applied to the total number of businesses established in a given year and still active three years later, this percentage implies that only 8 700[9] employ more than ten workers, thus contributing as much to overall net job creation as the 120 000 others.

In other words, among the newly established businesses (which are always small at first, employing one or two persons only) a small minority will grow to the point where they provide employment for ten workers or more, and the great majority will continue as sole proprietor businesses (small tradesmen, etc.) on a very small scale.[10] The foregoing analysis is

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8 The ANCE arrived at the same estimate on the basis of an analysis of employment trends published by the UNEDIC (Union Nationale pour l'emploi dans l'Industrie et le Commerce - National union for employment in industry and commerce).

9 207 000 (businesses set up during one year) x 62% (survival rate after three years) x 6.75%.

10 About 4% (6.75% x 62%).

summarized in the following table:

Year n	100 businesses established
Year n + 3	42 failures 4 businesses employing 10 or more persons (45% of total jobs) 52 businesses employing less than 10 persons (55% of total jobs).

Experience shows that it is not easy to predict which project will in the longer term generate more than five to ten jobs. Of course, all businesses, including the most modest sole proprietor businesses, are of value in the fight against unemployment - the more so in that self-employment is often one of the only solutions available to certain disadvantaged persons (e.g. the long-term unemployed, immigrants, etc.).

An "elitist" attitude, i.e. according aid only to projects which appear promising, should therefore be avoided. On the other hand, it is useful to identify those new businesses most likely to become future generators of employment as early as possible, so that their progress can be closely followed and support provided if necessary.

5. Characteristics of entrepreneurs

France is the only one of the four countries in which data regarding entrepreneurs is systematically recorded. In the UK and Spain, however, sample surveys have been carried out among entrepreneurs making it possible to identify certain characteristics.

5.1 A summary is given below of statistics processed by the INSEE (Institut National de la Statistique et des Etudes Economiques - National Institute for Statistical and Economic Studies) relating to the year 1985, but appearing in a study published in 1989:[11]

Sex: 72% are men: however, more and more women are setting up their own business. They tend to favour the commercial sector to a greater extent than men (45%, against 25% for men).

Age: The average age of the entrepreneur on setting up business is 35, three years younger than the estimated average age of the working population: 57% of entrepreneurs are aged between 25 and 40.

Educational level: The overall educational level of the entrepreneur is slightly higher than that of the working population; however, despite this the majority of entrepreneurs had a fairly short education, as is shown by the table below:

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[11] Published by the ANCE (Agence Nationale pour la Création d'Entreprise - National Business Development Agency) and the INSEE itself.

Educational level of entrepreneurs setting up business	%
. Primary, apprenticeship, third year lower secondary	36.20
. Second year upper secondary	29.60
. Baccalaureat, final year upper secondary	15.00
. 1 or 2 years higher education	7.80
. 3 years higher education or more	11.40
	100.00

Previous situation. From the table below we note that unemployed entrepeneurs account for a significant percentage of the total and that the majority have a relatively modest social background.

Previous situation of entrepreneurs	%
. Student, apprentice	3.10
. Non-working, non-job-seeker	9.10
. Unemployed job-seeker	23.20
. Worker or employee	32.20
. Middle management	14.30
. Tradesman, crafsman, member of liberal profession	12.50
. Other	5.50
	100.00

5.2 In the UK it has been noted that:

. more and more women are going into business. However, only 7% of the female working population are heads of businesses or self-employed: the corresponding figure for men is 16%;

. proportionately more people belonging to ethnic minorities than those of British origin become self-employed or set up their own business: this is the case, for example, of 22% of persons of Pakistani or Bengali origin.

5.3 In Spain, a survey covering a representative sample of 171 new businesses elicited the following information about their founders:

- only 11% had previous experience in the financial and economic fields;
- two-thirds believed themselves to be in need of further information regarding the techniques of business management; but 50% were not informed about existing training progrmames and aids;
- the great majority conceived their projects from a local - or possibly national - perspective. Very few gave any thought to the European market.

It is highly probable that a similar survey conducted in France would give rise to similar observations.

5.4 Some salient points emerge from these statistical studies:

. the majority of entrepreneurs are persons with a relatively modest educational level, and have no knowledge or experience in the field of business management;

. a significant proportion of these entrepreneurs seek training, advice and information: provision in these areas must obviously be adapted to their levels and needs;

. the European market is almost always ignored;[12]

. the female population, whether working or seeking to re-enter the labour market, constitutes an important reservoir of potential entrepreneurs;

. emigrants as a group are especially aware of the opportunities offered by self-employment.

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[12] This is also true in certain frontier zones such as those in northern France.

6. Conclusions

The significance of the phenomenon of business creation for the EEC member countries is highlighted by the following estimated figures:

- more than one worker in five is or will be the head of a business;
- every year about 1.5 million businesses are set up in the EEC (twelve countries);
- one new job in three is generated by a new small business.

The quality of newly established businesses is often inadequate: nearly one in two fail within three years and less than 10% grow large enough to employ more than ten workers. These problems are partly linked to the fact that the majority of entrepreneurs have a low educational level and that very few of them are trained in business management techniques.

It is possible to reduce the number of failures, especially through suitably adapted training and advice: the majority of entrepreneurs seek to take advantage of these services. In addition, a number of valuable types of aid can be provided: we shall discuss some of these in the next chapter.

Chapter II

AID PROGRAMMES

Chapter II

AID PROGRAMMES

For a business to be set up, there must be an entrepreneur and a certain number of resources must be available:

. the success or failure of the enterprise depends largely on the capacities of the entrepreneur. Advice and training are therefore very important, as we saw in the preceding chapter;

. however, the best equipped entrepreneur can do nothing unless he is able to muster resources, such as:

- capital, loans, guarantees, etc.
- buildings, infrastructures, materials and equipment, etc.
- qualified personnel possessing the requisite know-how
- access to the necessary technologies
- access to markets.

If one of these resources is lacking, or its quality or quantity is inadequate, the enterprise is in peril. Various measurs and aid programmes aimed at entrepreneurs have been introduced in the UK, Spain, Italy and France: they are described in the detailed reports relating to each of these countries. We shall confine ourselves here to summarizing the data provided in respect of each type of aid, and analysing the latter to identify elements for comparison.

1. Aid in respect of advice and training

1.1 National networks

Unlike Spain and Italy, France and the UK have country-wide networks specializing wholly or partly in the provision of advice and training for entrepreneurs.

In the UK the approximately 300 Local Enterprise Agencies (LEA), almost all resulting from private sector initiatives, constitute the principal support network for entrepreneurs for whom they provide advisory services and training. The average annual budget of these agencies is about £ 115 000 (in Scotland); 62% of this amount is financed from public - including EEC - funds, and 38% from private sources, especially from those firms willing to second staff to the agencies.

In France, the Boutiques de Gestion (BG) organization runs about 100 offices where teams of two or three experts provide support for potential entrepreneurs in the form of advice and training. The 15 offices located in the Nord-Pas-de-Calais region have an annual budget of around FF 1 million (very similar to that of the LEAs in Scotland, therefore): 80% of the financing is provided from public sources and the remaining 20% from private sources, including contributions by the entrepreneurs themselves.

Additionally, in France some 150 Chambers of Commerce and Industry[13] run information, advisory and training services for potential entrepreneurs and new heads of businesses,[14] among their many other activities.

1.2 Various bodies

In addition to these national networks, which are wholly or partly specialized, a considerable number of other bodies also provide advice and training for entrepreneurs, among their other activities. Such bodies exist in all four countries, although they appear to be less numerous in Italy, where training of this kind is not highly regarded by entrepreneurs. The following types of bodies may be distinguished.

1.2.1 Government departments, agencies or services

In France, Agence Nationale pour la Création d'Entreprise (National Business Development Agency), Agence Nationale pour l'Emploi (National Employment Agency), Agence pour la Formation Professionnelle des Adultes (Adult Vocational Training Office), etc.

In the UK: Employment Department, Department of Trade and Industry, Department of Education and Science, etc.

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[13] These bodies have semi-public status. They are partly financed from a levy payable by all their affiliates.

[14] It should be noted that to set up as a small tradesman in France, applicants must now follow a 30-40-hour training mainly devoted to the accounting, legal and fiscal aspects of management.

In Spain: Instituto Nacional de Empleo (National Employment Office), Instituto de la Pequena y Mediana Empresa Industrial (Small and Medium-sized Business Development Office).

1.2.2 Local authorities

In France: Services d'action économique (Economic Action Services), Agences de développement (Development Agencies), etc.

In the UK: Scottish Enterprise, Welsh Development Agency, etc. In Northern Ireland:[15] the Local Enterprise Development Unit.

In Spain: Instituto Madrileno para el Desarollo (Madrid Development Office), IRMASA, which provides courses for women entrepreneurs, etc.

1.2.3 Specialized institutions of higher education and the universities

In France: Ecole Supérieure de Commerce de Lyon (Lyon Academy of Business Studies), Ecole des Hautes Etudes Commerciales (College of Advanced Commercial Studies), etc.

In Spain: IESE, IE, ICADE, EOI, MS, ESADE, etc.

1.2.4 Various other private or semi-public bodies

Representing the trades: Chambers of Commerce, Camara de Comercio, etc.

Linked to "incubators" or Business and Innovation Centres (BICs).

Arising from private sector initiatives at local level.

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[15] In Northern Ireland, the training system and aid measures for entrepreneurs have specific features and are not yet fully developed.

Or linked to certain associations of retired persons such as the "EGEE" in France or the "Senior Espanoles para la Cooperacion en Organizacion Tecnica" (Senior Citizens for Cooperation in Business Organization) in Spain.

1.2.5 Bodies specializing in specific population groups

Women: Direccion General de la Mujer (Directorate-General for Women) in Madrid, the ODAME programme in Barcelona, Instituto de la Mujer (Equal Treatment Office), CREAME (Barcelona).

Young people: Project North-East (Newcastle), Centro de Asesoria para Empresas de Nueva Creacion de la Direccion General de Juventud espagnol (Advisory Service for Newly Established Businesses of the Directorate-General for Young People), Confederacion Espanola de Organizaciones Empresariales (Spanish Confederation of Employers' Organizations), which has a programme for the children of entrepreneurs, etc.

Immigrants: 3Bs (Black Business in Birmingham).

Cooperatives: Confédération Générale des SCOP (Confederation of Cooperative Societies) in France, certain bodies specializing in "workers' cooperatives" and "community controlled businesses" in the UK, the Direccion General de Cooperativas y Sales (Directorate-General for Cooperatives and the like) in Spain, etc.

2. Other forms of aid

Aids relating to the resources needed by the entrepreneurs, i.e. financing, logistic support, access to technologies and markets, are catalogued below.

2.1 Financial aid

This form of aid is the most widespread, there being dozens - if not hundreds - of public and private programmes in each country, designed to grant subsidies or loans, provide guarantees or risk capital, or aid access to advisory services.

2.1.1 These programmes are most often targeted on:

. a specific population group, i.e. women, young people, immigrants, job-seekers (see below), employees made redundant, etc.;

. and/or specific geographical areas;

. and/or activities relating to manufacturing industry or services to industry.

2.1.2 Apart from risk capital provided by private financial institutions, the measures are aimed at promoting job creation. With this in view, the amount of aid granted is often linked to the number of jobs to be generated by the future enterprise.

2.1.3 The amount of aid provided is generally substantial - often around 5 000-6 000 ECU for each new job. In many cases, financial aid provided under different measures can be combined; in addition, the receipt of aid acts as a "lever" in obtaining bank loans.

2.1.4 Information regarding the various aid measures and the conditions of access thereto is not always easy for the entrepreneur to find. In addition, the latter is rarely capable of drawing up a detailed business plan such as is generally required before finance is granted. Support from advisory and training services is therefore also necessary to enable entrepreneurs to gain access to financial resources on favourable terms.

2.2 Logistic support measures

These measures are intended to alleviate certain fixed costs borne by new businesses and ensure that they operate in a favourable environment. The model for these support measures is the "pépinière" ("nursery"), sometimes called an "incubator" or "ruche d'entreprise" ("hive").

Hundreds of these structures have been established in the past few years, most often with public - and sometimes Community - finance (e.g. those covered by the BIC programme run by DG XVI).

Some of these business incubators are specialized, supporting only innovative enterprises, for example, or firms active in a particular sector.

In the majority of cases, the incubator's director also gives advice to the entrepreneur. It is generally agreed that the success or failure of an incubator depends on the success or failure of the businesses it is supporting and, consequently, on the qualities of its director who was responsible for selecting them.

The incubator provides a particularly interesting model for countries or regions with inadequate infrastructures (e.g. telephone, etc.), or those in which the spirit of enterprise needs an especially favourable environment in order to flourish. This appears to be the case in the countries of Eastern Europe.

2.3 Access to technologies and markets

Aid measures in this area are not restricted to businesses in the start-up phase, but are available to all SMEs. A number of programmes exist at national or local level: one of the most comprehensive is probably the "Enterprise Initiative" launched in the UK. Mention should also be made of the provision of financing and expertise in France under schemes administered by the ANVAR (Agence Nationale pour la Valorisation de la Recherche - National Agency for the Exploitation of Research).

As regards the search for business connections or clients, there exist "exchanges" dealing with sub-contracting, business opportunities, etc. These exchanges are generally established and run by the trade organizations or Chambers of Commerce.

In Italy, where the Management Committee for Law 44/86 held that access to markets represented one of the thorniest problems during the start-up phase of a new business, the Liguria BIC has set up a working group on this subject. Also in Italy, the number of "technology parks" - such as that in Trieste - is increasing; these "parks" are considered to be the most up-to-date instruments available to entrepreneurs seeking information regarding access to technologies and markets.

3. Programmes intended specifically for unemployed entrepreneurs

Each of the four countries under study has taken measures to encourage job-seekers to set up their own businesses. The aid provided is mainly financial, but is sometimes backed up by specific training programmes and measures to facilitate access to advisory services.

3.1 Financial aid

Financial aid is generally granted to entrepreneurs who were formerly job-seekers in receipt of benefit; in some countries, aid is granted on certain conditions to young job-seekers wishing to become self-employed or set up a business.

Aid may take either of two different forms:

- In the UK, beneficiaries receive an allowance of £40 per week for one year (amounting altogether to about 3 000 ECU), under the "Enterprise Allowance Scheme".

- In France, the subsidy is paid as a lump sum following the establishment of the business: in view of the delays involved in processing applications, these payments, of an average amount of 4 500 ECU, are generally made six to nine months after the business is launched. In Spain, under the "Promocion del empleo autonomo" (Promotion of Self Employment) Scheme, and Italy, under Law 44/86, for example, a lump-sum payment is also made.

The total cost of these aids is fairly substantial: in France, for example, the annual budget allocation for this purpose amounts to about 300 million ECU.

3.2 Training

In the countries referred to, aid beneficiaries are not required to undergo training.[16] However, their access to training, financed from public funds, is facilitated; we shall analyse these measures in the following chapter.

3.3 Advisory services

Access by unemployed entrepreneurs to advice regarding business management techniques is not always facilitated on an organized basis: in the UK, for example, despite the considerable number of bodies specializing in aid for entrepreneurs, beneficiaries under the Enterprise Allowance Scheme are critical of the relative lack of advice, support and training following the establishment of a business.

The new French "chèque-conseil" programme is therefore particularly interesting: it enables unemployed entrepreneurs, after setting up in business, to purchase up to 15 hours of advice for FF 1 500, the Government paying the remaining FF 4 500. Despite its evident interest, this scheme seems to have met with little success; this raises the problem of "marketing" aid measures of this kind among new entrepreneurs, who need such services badly but show little or no inclination to take advantage of them.

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16 The UK, however, requires beneficiaries to attend one day's instruction in "business awareness".

4. Conclusions

In all four countries under study, entrepreneurs have available a range of benefits and resources enabling them to improve their chances of success: advice, training, finance, logistic support, and measures facilitating access to markets and technologies.

In these countries, there exist a considerable number of bodies able to provide advice and training for potential entrepreneurs. However, only France and the UK have nation-wide networks of agencies specialized in this field, with their inherent advantages.

Financial aid measures are many and varied, to the point where the problem for the entrepreneur is how to obtain information regarding these measures and prepare the business plan which will enable him to obtain them.

Other types of aid (logistic support, measures facilitating access to markets and technologies) have also proliferated. This is especially the case with the business incubators, providing integrated support, and the "innovation centres", which could probably help to resolve certain problems specific to the countries of Eastern Europe.

Special subsidies are available to unemployed entrepreneurs. Training in business management is provided free of charge and in France, unemployed entrepreneurs can benefit from advisory services at reduced cost. In none of the four countries, however, is it obligatory to follow a training course to set up a business, even when aid is provided from public funds.

Chapter III

COURSES OFFERED BY THE TRAINING BODIES

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COURSES OFFERED BY THE TRAINING BODIES

In all the countries under study, a wide - or very wide - range of training provision is available, aimed at potential entrepreneurs and heads of new businesses. Some courses are designed for specific population groups. The duration, content and other aspects of the programmes vary from one body to another: however, common features exist, which we shall seek to identify after cataloguing the various types of training available. We shall conclude this chapter with a brief analysis of programmes designed to stimulate the spirit of enterprise.

1. Types of training

A preliminary comment should be made: only the UK has a public policy designed to promote training for new entrepreneurs and heads of small businesses, with the "Business Growth Training" (BGT) scheme at present run by the Training Agency. In the other three countries, training is most often financed from public funds but there is no real national policy designed to harmonize training content and "market" the courses available.

Given these differing contexts, training courses may be classified on the basis of differing criteria.

1.1 Before or after setting up business

The problems faced by the would-be entrepreneur are not the same as those of the head of a new business, which he may eventually become. It may be added that the nature of these problems changes during the months preceding or following the moment of launching a business: for example, the potential entrepreneur who is still uncertain whether to take the steps which will actually lead to the implementation of the project he has in mind does not have the same concerns as one who has already begun the procedures leading to the foundation of a business.

For this reason training provision tailored to each of these stages in the life of the entrepreneur is available.

1.1.1 Preliminary evaluation

The "Sessions d'orientation approfondies" (SOA) (Advanced Guidance Sessions) in France meet this need in cases where they are specially adapted for potential entrepreneurs. Lasting for 50 hours, they are financed by the ANPE (National Employment Agency) and given by various bodies, including ESPACE; their purpose is to familiarize trainees with the various aspects of running a small business enterprise, prompting them to assess their own capacity for successful entrepreneurship.

1.1.2 Preparing the project

The great majority of training courses on offer are aimed at this phase. Their duration varies from a few days to several months according to the nature of the project and the needs of the participants. The following belong to this category, for example:[17]

- In the UK: BGT options 1 and 2; the "Employment Training Enterprise Rehersal", which is reserved for the long-term unemployed; Youth in Business, the Graduate Enterprise Programme, etc.

- In France: 40-hour courses given by the Chambers of Trade; 400-hour courses given by the "Boutiques de Gestion" (including ESPACE), the Chambers of Commerce and Industry and the Agence Pour la Formation Professionnelle des Adultes (AFPA) (Agency for the Development of Vocational Training for Adults); modular courses provided by the foregoing bodies, etc.

- In Spain: courses of from 400 to 440 hours are given by the Direccion General de la Juventud (Directorate-General for Young People); 200-hour courses financed by the INEM (National Employment Office) are organized by the Chambers of Commerce, etc.

- In Italy: training courses under Law 44 relating to the Mezzogiorno, etc.

1.1.3 Training to improve managerial skills, after setting up business

All the training courses intended for heads of businesses fall into this category. However, the needs of new entrepreneurs and those who have been in business for longer are not necessarily the same. Certain programmes, therefore, are specially adapted for "beginners": examples are the

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[17] The number and variety of these courses is such that it is impossible to list them all.

Firmstart and BGT programmes in the UK, or the modular courses run by the Boutiques de Gestion and Chambers of Commerce and Industry in France. These courses have to be so organized that they can be followed by persons who may often be working for over twelve hours a day.

1.2 Short or long courses

Training courses vary greatly in length according to the nature of the related projects and the phase reached by the entrepreneur. The simpler the project, the shorter the training course can be: however, 40 hours appears to be the minimum in which the rudiments of marketing and finance necessary to the entrepreneur can be grasped. Conversely, several hundred hours are required to assimilate tuition in management techniques and apply the knowledge acquired to prepare a project and business plan.

A few dozen hours are sufficient for an entrepreneur to assess his capacities and motivation with regard to the idea of setting up business - or, at the other end of the scale - to upgrade his skills once he has done so. In any case, setting up a business takes several months, during which training can be given.

1.3 Courses in continuous or modular form

Training courses in business creation can be organized in continuous form (for example, 400 hours spread over ten weeks) or in modules relating to individual business management techniques - i.e. accountancy, commercial law, sales techniques, etc.

It appears that the principal advantage of the first system is that forming part of a group provides a stimulus favouring the development of trainees' motivation; in addition, trainees are obliged to follow the entire course and the related exercises, thus acquiring a complete training. The disadvantages are the constraints involved for trainees and the lack of flexibility.

The advantage of modular courses, on the other hand, is their great flexibility; training can be "made to measure". However, there is a danger that trainees will neglect units relating to areas they wrongly believe they do not need to master, or for which they have no affinity. Further, the "group efffect" is minimal. Nevertheless, modular courses are the most suitable for new heads of businesses, given the demands on their time.

It should be noted that in the UK distance teaching kits have been developed in the context of the BGT options 1 and 2.

1.4 Courses for general use and those aimed at specific groups

Many courses are designed for general use, while others are aimed at specific groups, such as young people, women, or holders of higher education diplomas. The advantages and drawbacks of one or the other system are still under debate - especially as regards the following question: ought we to give preference to individuals and their needs or promote initiatives within particular groups? In reality, it seems that the best solution is to leave these options open, enabling entrepreneurs to choose according to their preferences.

1.5 Courses provided free of charge and those for which fees must be paid

With few exceptions, all training courses aimed at potential entrepreneurs are provided free or virtually so. This is understandable in that entrepreneurs are clearly anxious to keep their financial resources intact to devote to their future business. Consequently, financing is provided by Governments and local authorities concerned that entrepreneurship should be of high quality; it is a pity, however, that the entrepreneurs themselves are not sufficiently aware of the value of training.

New heads of businesses are also sometimes eligible for subsidies from public funds designed to induce them to seek advice or training: this is the case, for example, in Nord-Pas-de-Calais or in the UK under BGT options 3, 4 and 5.

2. Common features

Data collected for the studies carried out in each of the four countries suggest that despite their diversity, training schemes for entrepreneurs have a certain number of features in common as regards trainee selection and programme content.

2.1 Selection of trainees

Most training courses are attended by from 12 to 25 participants, chosen from among potential entrepreneurs wishing to receive training on the basis of the following criteria:

- personal characteristics, i.e. motivation; suitability for entrepreneurship; experience and skills; personality profile;
- nature of project;
- suitability of project for the particular entrepreneur.

The importance given to personal characteristics in selecting trainees is justified by the fact that the success or failure of an enterprise depends primarily on its founder.

2.2 Course content

Management techniques are always taught, and subjects such as marketing, finance and commercial law form part of every programme. Also included are data processing, human resource management and, less frequently, time management and foreign trade. The courses are accompanied by practical exercises and case studies, and by the application of the principles learned to the trainees' own business plan. Information about the economic and administrative background is also given.

The alternation of theory and practical work ensures what the Italians describe as "the link between training and the solution of concrete problems".

Training courses are generally supplemented by advice, and even in some cases by individual guidance during the process of establishing a business. This combination of training, practical work and individual guidance makes it possible to take account of the specific characteristics of each entrepreneur and his project at every stage.

3. Programmes designed to stimulate the spirit of enterprise

In all four countries a certain number of initiatives, both public and private, have been launched with a view to increasing the number of potential entrepreneurs and developing an "enterprise culture".

It appears that Italy is the country with the fewest such initiatives; there is only one national programme on these lines, which is qualified as "feeble". However, certain associations and industrialists run programmes at local level.

In Spain, the CEDE has designed a programme for students on the theme "how to set up a business", and certain local authorities have also launched projects in this area. In addition, bodies such as the Directorate-General for Young People and the Chambers of Commerce are planning measures of a similar type.

In France, where the links between businesses on the one hand and the universities and educational establishments on the other have developed over the past ten years, operations have been launched in certain areas to arouse students' interest or even, in some cases, enable them to learn how to set up a business project.[18]

The ODACE programme is aimed at a wider public; phase 2 of this programme, which involves the publication over sixteen weeks in a local daily of a series of instalments on business creation, accompanied by a competition for the best project, is at present under way in Maubeuge.

In the UK, where 20% of primary schools have links with local industry, the "Enterprise in Higher Education" scheme helps universities to inform their students about business creation. In addition, many training programmes include an element of "enterprise training" designed to encourage the development of an enterprise culture, though not necessarily to lead specifically to the establishment of a business.

This last point is important: the object of the large-scale dissemination of information or programmes designed to stimulate the spirit of

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18 Cf in particular the "Créatitude" programme run by ESPACE and the University of Lille 1.

enterprise is not so much to promote the creation of as many new businesses as possible, but to encourage people to act enterprisingly in whatever situation they find themselves.

4. Conclusions

The training bodies offer a wide variety of courses in the establishment and development of small businesses. The courses take account to a reasonable extent of the differing needs of entrepreneurs, covering every stage in the implementation of their projects. Training is almost always free of charge for participants.

In the absence - most often - of any thorough evaluation, it is difficult to assess the quality of the training offered or its impact on the success or otherwise of trainees' project.

Finally, the fact that apart from the UK, none of the countries studied has any real public policy for the promotion of training for entrepreneurs does nothing to facilitate the preparation of programmes at national or European level, in which experience drawn from the most successful schemes could be incorporated.

Chapter IV

THE SUCCESSFUL ENTREPRENEUR

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THE SUCCESSFUL ENTREPRENEUR

As we saw in Chapter I, 60% of new businesses are still trading after three years, and of these "surivors" less than 10% employ more than ten workers.[19] It may be asked, then, whether the founders of these businesses have particular characteristics and career profiles. Elements on which to base an answer to this question can only be found in two countries: the UK and France. These elements are presented in this Chapter, in which we shall analyse data relating to those entrepreneurs whose businesses have survived the pitfalls encountered during the first few years, and those at the head of businesses enjoying sound growth.

1. The entrepreneur whose business survives

As we noted in the first Chapter, the fact that a business is still trading three or four years after its establishment does not necessarily mean that it is successful. Information concerning those entrepreneurs still in business after a few years is nevertheless of value. Information of this kind is given in two studies: one carried out in the UK on unemployed entrepreneurs benefiting under the "Enterprise Allowance Scheme" (EAS) and that carried out by ESPACE in France. We have assembled these data under four headings.

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[19] According to the ESPACE study cited above.

1.1 Survival rates are greatly improved by advice and training. The "Enterprise Agencies" scheme achieved a survival rate of 72.3%; for ESPACE, the corresponding figure was 78.2% (after three years).

1.2 The scale of the initial investment is also a factor influencing the survival rate, which rises by 16 points in the UK when the investment exceeds £5 000. In France, it is higher by 6 points in the crafts and industrial sectors (in which the investment required is higher than in the commercial or service sectors).

1.3 The short duration of unemployment also appears to be a very favourable factor in the UK.

1.4 Observations regarding entrepreneurs' educational level are contradictory, on the other hand. In France, businesses set up by persons holding qualifications of baccalaureat level or higher have a survival rate 6-13 points higher than average. In the UK, however, businesses founded by unemployed entrepreneurs without qualifications have a slightly more favourable survival rate (3 points higher than average): perhaps this may be due to the fact that these persons, who have less chance of finding another job, cling tenaciously to their project even though the income it provides is modest.

2. The successful entrepreneur

The characteristics and career profiles of entrepreneurs who are today heads of expanding businesses were highlighted by an ESPACE study, which also included graphalogical analyses.

2.1 Career profiles

Three types of entrepreneurs may be distinguished on the basis of their CVs:

. The entrepreneur with long vocational experience, who, after a distinguished career often begun at the bottom of the ladder in an SME, finds himself in a situation where no further advancement is possible (for example, he is number two to a young employer). Setting up his own business enables him to get past this barrier and achieve social advancement.

. Individuals similar to those described above, but older by about ten years and obliged to set up in business on account of personal problems regarding their employment.

. Younger entrepreneurs, with a higher educational level than the preceding categories, whose motivation is more complex - sometimes involving a mixture of the desire for independence, the need for self-fulfilment and an intense interest in a particular trade.

2.2 Characteristics

A substantial majority of successful entrepreneurs have taken advantage of continuing training throughout their careers.
Their educational level is about average, especially in the first two categories.
They are strongly motivated, for a variety of reasons.

2.3 Character traits

Interviews with the entrepreneurs brought to light a number of qualities which they themselves thought had contributed to their success. The following adjectives were used to describe these qualities:

. strong-willed, energetic, determined, decided, tenacious, courageous, highly motivated, etc.;

. logical, rational, methodical, tough, demanding and conscientious.

It may also be noted that in graphological analyses carried out in relation to twelve of the heads of businesses interviewed, the latter scored well above average as regards the following qualities: capacity for organization; logical thinking; self control; frankness; equilibrium and self-sufficiency.

2.4 Capacities

Those interviewed stated that their success as entrepeneurs and heads of businesses was also due to the following three groups of skills:

. an ability to influence others, to convince and communicate, and a feeling for human relations;

. an ability to recruit and lead a good team: knowing how to listen, make oneself accessible, entrust and delegate; i.e. knowing how to motivate and lead men;

. subjective capacities, i.e. an ability to re-think one's ideas, recognize one's errors and adapt in consequence.

3. Conclusions

Other things being equal, support for potential entrepreneurs in the form of advice and training appreciably increases the survival rate of the businesses set up.

However, potential entrepreneurs are a very heterogenous group, the majority merely wishing to create their own employment through the launching of projects on a modest scale; the future owner-managers of dynamic SMEs are to be found only among a small minority. Both categories must learn how to manage their future business, but their respective training needs are not necessarily the same. In short, while it is evident that the provision of advice and training for all potential entrepreneurs is highly desirable, activities along these lines should be adapted according to the public targeted.

GENERAL CONCLUSIONS
AND
RECOMMENDATIONS

General conclusions
and
recommendations

The freedom to set up in business is a right which in practice can only be exercised if certain conditions are fulfilled. These conditions are essentially the following:

. the existence of at least a minimum of basic infrastructures and logistic support;

. access to the necessary factors of production, including capital, and to those resources - i.e. market opportunities, know-how and technologies - which will enable the new business to compete;

. the existence of structures enabling all entrepreneurs or potential entrepreneurs to obtain information, training and advice relating to the start-up or development of their businesses.

In the four countries under study, these conditions are largely fulfilled[20] owing to a panoply of public and private programmes, measures and initiatives, mainly launched during the past ten years. The efforts made to "democratize entrepreneurship" have generally provided an effective response to the concerns of the public authorities regarding employment and economic development and the desire of individuals to bring their personal projects to fruition.[21]

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20 This is also the case in Denmark, Holland, Germany and Ireland, according to reports by experts from those countries presented at the CEDEFOP Seminar held in Berlin in June 1990.

21 For some, this means integration into economic activity; for others, social advancement; for yet others, achieving independence or self-fulfilment, etc.

However, the comments and analyses by the British, French, Spanish and Italian experts summarized in this report highlight certain problems or weak points:

. the inadequacy - or total absence - of reliable statistics in this field, such as would enable us to obtain a better understanding of the phenomenon of business creation;

. most programmes and measures - including those relating to advice and training for entrepreneurs - have never been evaluated;

. the absence of any real policy designed to foster the provision of advice and training for new entrepreneurs (except in the UK), despite the fact that such provision increases the survival rate of new businesses;

. the lack of national-level support networks for entrepreneurs in Italy and Spain;

. the lack of any coordinated research programme which would enable improvements to be made to the content of training programmes for business creation and, more generally, in know-how regarding support measures for entrepreneurs;[22]

. the inadequacy of measures designed to promote the spirit of enterprise.

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[22] Support measures generally take the form of a mix of advice and practical training.

These observations lead to the following recommendations:

. an "observatory" should be established in each country to monitor the creation and development of small businesses. Its functions would be: (a) to compile and analyse statistical data; (b) to evaluate programmes and support measures aimed at entrepreneurs; and (c) to organize exchanges and joint research projects among specialists in business creation;[23]

. nation-wide campaigns should be organized to encourage would-be entrepreneurs to seek training[24] and to promote the spirit of enterprise;

. national-level support networks for entrepreneurs should be set up in Spain and Italy.

In addition, the authors suggest that an action research programme should be launched: (a) to identify, in the experts' view and/or following evaluation, the most effective support measures and programmes for entrepreneurs in the Community countries; and (b) to draw valuable lessons from the study of these measures and programmes and identify elements transposable to other areas.

These areas might include the countries of Eastern Europe, where the exercise of the freedom to set up in business requires preparation in the form of training measures on a vast scale.

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[23] In France, the National Business Development Agency partly fulfils this role.

[24] In Holland, such training is obligatory.

CEDEFOP — European Centre for the Development of Vocational Training

Support policies for business start-ups and the role of training — National reports from France, Italy, Spain, United Kingdom and synthesis report

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